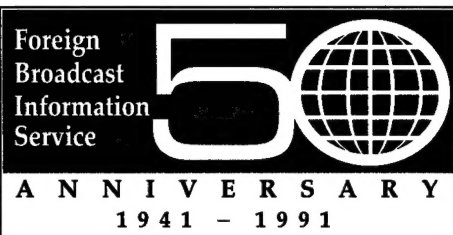


JPRS-EER-91-034  
20 MARCH 1991



# ***JPRS Report***

## **East Europe**

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# East Europe

JPRS-EER-91-034

## CONTENTS

20 March 1991

### POLITICAL

#### BULGARIA

|   |   |
|---|---|
| Social Democratic Views on Populism, Prices .....                 | 1 |
| Pushkarov's Analysis [SVOBODEN NAROD 22 Jan] .....                | 1 |
| Rebuttal Published [SVOBODEN NAROD 22 Jan] .....                  | 2 |
| Activities of Fatherland Labor Party .....                        | 4 |
| Membership, Policy [BULGARIYA 26 Jan] .....                       | 4 |
| Varna Organization [BULGARIYA 26 Jan] .....                       | 5 |
| Soviets Said Not at Fault for Bulgaria's Woes [DUMA 11 Feb] ..... | 5 |

#### CZECHOSLOVAKIA

|   |    |
|---|----|
| OMNIPOL's Recent Activities Detailed [RESPEKT 17 Feb] .....                         | 7  |
| New Ambassador to Germany on His Aims, Tasks [Berlin DER TAGESSPIEGEL 26 Jan] ..... | 9  |
| Origin of Pittsburgh Agreement Clarified [DOKUMENTACNI PREHLED 17 Jan] .....        | 11 |

#### HUNGARY

|   |    |
|---|----|
| Minister Views Draft of National Security Law [NEPSZABADSAG 31 Jan] .....     | 12 |
| Local Authorities, Government Commissioners Clash [NEPSZABADSAG 29 Jan] ..... | 12 |
| 'Third Way,' Social Market Economy Explained [HITEL 23 Jan] .....             | 13 |
| Possibility of Return of Horthy's Ashes to Hungary [NEPSZABADSAG 1 Feb] ..... | 15 |

#### POLAND

|   |    |
|---|----|
| POLITYKA Weekly News Roundup: 20-26 Jan [POLITYKA 26 Jan] .....   | 16 |
| POLITYKA Weekly News Roundup: 27 Jan-2 Feb [POLITYKA 2 Feb] ..... | 17 |
| POLITYKA Weekly News Roundup: 3-9 Feb [POLITYKA 9 Feb] .....      | 19 |

#### YUGOSLAVIA

|   |    |
|---|----|
| Expansion of Knin 'Scenario' in Croatia Viewed [VJESNIK 19 Feb] ..... | 21 |
| VMRO-DPMNE Organ Attacks Macedonian Media [Sofia DUMA 18 Feb] .....   | 24 |

### ECONOMIC

#### BULGARIA

|   |    |
|---|----|
| Chief of Bulgarlizing on Financing Methods [DELOVI SVYAT 4 Feb] ..... | 26 |
|---|----|

#### CZECHOSLOVAKIA

|   |    |
|---|----|
| CSFR-USSR Bank Agreement Announced [HOSPODARSKE NOVINY 14 Feb] .....          | 27 |
| Property Ministry Official Analyzes Privatization [RESPEKT 17 Feb] .....      | 28 |
| Capital Asset Depreciation Briefly Explained [HOSPODARSKE NOVINY 7 Feb] ..... | 30 |
| Minimum Wage General Agreement Clarified [HOSPODARSKE NOVINY 14 Feb] .....    | 31 |
| Comments on 4 Specific Sales Tax Groups [HOSPODARSKE NOVINY 5 Feb] .....      | 32 |

#### HUNGARY

|   |    |
|---|----|
| Local Governments Demand Share of Privatization [NEPSZABADSAG 17 Jan] .....   | 33 |
| Official Discusses Legal Aspects of Privatization [MAGYAR FORUM 31 Jan] ..... | 33 |

|  |    |
|--|----|
| Minister Changes Views on Nuclear Energy [NEPSZABADSAG 17 Jan] .....       | 35 |
| Vague Future of Trade Union Movement Analyzed [NEPSZABADSAG 28 Jan] .....  | 36 |
| Arrears in Rent, Utility Payments Grow [NEPSZABADSAG 2 Feb] .....          | 37 |
| Accounting Office Urges Halt to Danube Project [NEPSZABADSAG 18 Jan] ..... | 37 |

#### YUGOSLAVIA

|  |    |
|--|----|
| Leading Slovene Economist Interviewed [DANAS 19 Feb] ..... | 38 |
|--|----|

#### SOCIAL

##### HUNGARY

|   |    |
|---|----|
| Solt Criticizes Social Security Legislation [TALLOZO 1 Feb] ..... | 42 |
|---|----|

## BULGARIA

### Social Democratic Views on Populism, Prices

#### Pushkarov's Analysis

91BA0332A Sofia SVOBODEN NAROD in Bulgarian  
22 Jan 91 p 2

[Article by Senior Scientific Associate Ivan Pushkarov:  
"Economic Reform and Paper Tigers of Populism"]

[Text]

**Statement by Senior Scientific Associate Ivan Pushkarov at a Meeting Organized by the Programna Alternativa Club in Sofia and Held on 6 December 1990 at the Palace of Culture**

Excluding the euphoria that accompanied the first and second national conferences, which were actually celebrations, in my view, no real theoretical discussion relative to the problems of the social democratic movement has taken place. I feel the tremendous need for such a discussion because I have just left an absolute madhouse and am totally exhausted.

We are witnessing some totally chaotic actions on the part of all political forces. Inasmuch as there are some thinking people in the parliament (mainly in the SDS [Union of Democratic Forces]), they are rallied on the basis of an entirely different feature and not as the present deployment of forces on the political map indicates. There are few economists, and there are virtually no political experts. I would rather not keep painting more black pictures. This, however, has triggered in me an exceptional, a tremendous, need for this type of communicating, for which reason I am extremely glad to attend this meeting. I have made note of a number of things I would like (I hope to have the time) to interpret.

I do not have the possibility of engaging in theoretical considerations. I will probably be chaotic in my discussion and in my presentation. The discussion is theoretical, and this pleases me. However, the problems are emphatically pragmatic. Actually, our present situation is catastrophic. All of us know this, and I do not wish to exaggerate. I have a great deal of information I could sum up. Furthermore, during this entire period, when I was convinced that our party could salvage many things for the country, it displayed inconsistency. It showed its inability to accurately interpret political and, particularly, economic processes and to react to them. I have said this elsewhere, as well, including in the Executive Council, where I have defended this point of view.

I wish to correct something that Docent Doganov said—that the conference in Shumen was the first harbinger, and that something is indeed taking place within the party because, although they were isolated, there were individual voices that were heard, which was an exceptionally serious indication of the situation within our party. After the euphoria related to its founding and

mass recruitment and its aspiration to reach a membership of 200,000, an aspiration that is not based on realistic arguments, we are noting now the existence of some paralyzed organizations that do not know what to do with their membership. This membership is gradually dropping out of the party organizations. Some municipal organizations have reported that more than one-half of the members are not being given their cards. This was also reflected at the national party conference.

Consequently, the problems we are discussing on the state of social democratic values, as offered to our society now, and the ways and means such values will conform with the values of liberalism and the way through which our party will interact with the other political forces, are exceptionally serious. This is a difficult, not to say a dramatic, problem. The reason is that our party is now perhaps acting like a fuse in what we call the SDS. Actually, for quite some time, this has been a steady line followed within the party and within the framework of the SDS. Last spring, the feeling was strongly in favor of withdrawing from the SDS, but we did not do it.

I am an economist, for which reason I think that what I am saying should be, above all, within the framework of the economic situation and the position held by the Social Democrats—and the way they must follow in converting to liberal values in economics. Our economic situation is unprecedented, and no example of such an approach exists. It was started by some, but so far no one has completed it successfully, including Balcerowicz and the Hungarians. Let us not even speak of our country. The situation in Bulgaria is much more difficult. In no case could we equate Bulgaria with Poland and Hungary on the economic level.

Bulgaria is the most nationalized totalitarian country in the world. No more nationalized country exists, for which reason the transition in our country will require exceptional mobilization and even a theoretical interpretation of any similarity existing between social democratic and liberal values on the economic level. We notice in a certain segment of our party—in the leadership, at that—a virtual slant toward classical social democratic values, which leads to total alienation from economic realities. This leads to the grave danger of blocking the entire economic reform. In my view, the danger that threatens our country as a result of blocking the economic reform resides not in the position of the Bulgarian Socialist Party (which adopted a neoconservative program) but in the position of the Bulgarian Social Democratic Party. I say this most responsibly. How is this danger manifested? The transition that we must make is related to the implementation of a sequence of reforms.

The first reform involves the financial stabilization of the country's economy. This means balancing supply with demand. It also means that the amount of money must be reduced to match the amount of consumer goods that could be offered on the Bulgarian market. The



only way to achieve this is to raise prices. This was what Andrey Lukanov, among others, was doing. However, in this case, there immediately appears a high social threshold, which is absolutely and categorically populist and which is adopted by our party. It is claimed that raising prices is inadmissible in our country! Naturally, I do not mean that in this case I am not promoting the manner in which the price shock should be administered in Bulgaria; I do not agree with the method applied by Andrey Lukanov, as I stated in the National Assembly. The method must be interrelated with a series of anti-inflationary measures, including the formulation of a systematic policy by the Bulgarian National Bank concerning monetary circulation. However, the assumption of extremely high social commitments during the transitional period and, especially, in the stage of stabilization would virtually paralyze it. We would then take up the views of Dr. Trenchev, which would naturally lead to a wave of strikes that would bring down any government.

The second step, which is mandatory in the reform process, is the stabilization of the Bulgarian leva and, naturally, its convertibility, which is a mandatory step if Bulgaria is to become open to Europe and to the economies of all countries throughout the world, so that we may intensify trade and, hence, saturate domestic consumption with goods. This immediately leads to the next (also categorically populist) paper tiger in the area of inflating real problems: the slogan of the monetary reform. Monetary reform is an act of violence that cannot result in any, repeat any, confiscation or control over so-called dirty money. It would hit at the savings of the population, essentially house savings.

Third, there must be a reform that is the core of the entire transition in the change of economic systems: privatization. The conversion from a state-run to a mixed economy is a mandatory transition to the privatization of state property through denationalization. This is the most difficult, the most important, the most dramatic, and perhaps the longest process that must be carried out in our country if it is to have a normal market economy. From 95-to-98-percent state ownership, this percentage should be reduced, normally, to about 30-35, which is a sensible limit, a threshold for state ownership. The activeness of the private sector must be set free. However, this is immediately opposed by some populist, some extremely populist, slogans that very quickly put down roots in our society. The first concerns the cooperative, which is presented as an alternative to privatization. This insane idea, this legacy of the 1940's and of prewar times, which was an accomplishment of the Social Democrats, is being used as a suggestion of an alternative to privatization, which is total nonsense. There can be no cooperatives without real economic subjects. To begin with, we must create them on the basis of private owners, who would undertake some kind of integration and unification on a certain basis. A direct conversion from state to cooperative ownership will mean concealing, camouflaging the totalitarian economic structure, and, naturally, preserving all of its

mechanisms. On a parallel basis, another populist approach is suggested in terms of privatization—privatization using the so-called vouchers. This is a totally impractical economic idea that will lead, within a year to a year and a half, to the concentration of ownership in the hands of an exceptionally small circle of speculators. It will mean the equal distribution of misery. If we fail to develop a true capital market with the help of bids and sales and a capital turnover on the market, and to adopt the best aspects of the market, this would end up by destroying the Bulgarian economy.

The next mandatory step, in order to enhance the country's economy, is opening it to Europe, to the civilized part of the globe, on the economic level. However, the next paper tiger shows up immediately, claiming that Bulgaria will be sold away to the capitalists. This is an illusion that is very difficult to surmount. Unless preferential conditions and incentives for foreign business are created in Bulgaria, there is no way the country could lift itself with its own domestic capital.

On the economic level, breaking or erecting psychological obstructions to our people means totally dooming them and depriving them of their last opportunity. Also on the economic level, the elimination of populist variants of social democratic values is of tremendous importance if we are to prepare the Bulgarian people, little by little, for a conversion to business and private enterprise, to encourage them and to provide opportunities for the creation of new jobs and thus to solve the unemployment problem. Exceptionally great obstacles are the aspiration, the manifested desire, and the slogans for assuming supercommitments to provide the population with social guarantees. Shall we adopt the system of having a mother state, which would be able to harness the resources of the entire country and redistribute them? There is no country in the world in which the state budget extends to more than 90 percent of the produced national income, as is currently the case with Bulgaria.

The time to hold such discussions is exceptionally right. They are of great importance in attaining an overall awareness of the problems and establishing the truth about various matters and the paths to be followed.

#### Rebuttal Published

91BA0332B Sofia SVOBODEN NAROD in Bulgarian  
22 Jan 91 p 3

[Article by Senior Scientific Associate Rosen Ivanov: "Without Populist Hits Below the Belt, Mr. Pushkarov"—first paragraph is SVOBODEN NAROD introduction]

[Text] The cooperative—this "insane idea"—has attracted 11 million stockholders in today's Great Britain.

The above would be a brief description of the attempt made by Mr. Ivan Pushkarov to ascribe to the BSDP [Bulgarian Social Democratic Party] a "populist variant

of social democratic values" in defense of his conservative program for a reform (here and subsequently, quotations from Mr. Pushkarov's statement will be in quotation marks). If the "theoretical" statement we quoted was not part of a much broader campaign against the BSDP and its unity and place in the political spectrum of the country, it could have been ignored altogether. Without debate and logic, by simply pinning labels (not insulting on the surface) and without political or at least purely economic arguments, some kind of "liberal" theoretical base is being sought in an effort to prove that the program adopted for a reform (a virtual repeat of the "Lukanov program") is the only possible variant.

While the Lukanov program was being discussed at the VNS [Grand National Assembly], at which Mr. Pushkarov spoke on behalf of the subcommission on the reform of the PSDS [expansion unknown] in a remarkably uncritical spirit, the head of the parliamentary group of the Social Democrats mentioned that the BSDP is displaying a significantly more critical attitude, proceeding from its position as a party of the broad and mainly socially weak population strata. That seems to have been the launching point of the "Pushkarov Campaign." Let us follow its "arguments." The first step: "There is only one way of balancing supply with demand.... That is to increase prices." The obstruction lies in the "high" and the "superhigh...social threshold, which is absolutely and categorically populist and which has been adopted by our party." When and how has the BSDP defined any whatsoever "height" of the social threshold that, in principle, must be agreed upon with the trade unions (as was indeed the case)?

In the fog of the "first populist absurdity of the BSDP," the concept is being promoted that inflation is "the only way" of eliminating hot money. We know that it is precisely in the course of rescuing their respective countries from total economic catastrophes similar to ours that both Monnet and Erhard carried out monetary reforms. The same is being advised now for the USSR by J. Galbraith, while the Rahn team suggested it for Bulgaria (after this plan was reworked in New York, together with Lukanov's experts, this proposal "vanished" in the interest of the *nomenklatura*).

Instead of substantiating his position concerning the "monetary reform," Mr. Pushkarov rejects it out of hand as the "latest categorically populist slogan" (thank God that it is not "absolutely categorical!"), which blocks the convertibility of the currency, which is the second step in the suggested reform. It is interesting to note that both Monnet and Erhard carried out a monetary reform in order to facilitate the currency convertibility. That is what Galbraith believes, as well. Mr. Pushkarov needs his antilogic for a different purpose: to eliminate the monetary reform itself in "his" plan and ascribing yet another "categorically populist" slogan to the BSDP, although we are unfamiliar with any such document issued by that party, including such a demand. The Pushkarov argument itself is both wrong and populist: A monetary reform could not "lead to any seizure of the

dirty money" but would "hit at population savings, particularly savings for housing." As all economists know, whereas the monetary reform is a controllable process (a decision is made in advance as to whose, to what extent, and by what means the currency will be changed), it is precisely inflation that is a cruel and uncontrollable element that inevitably hits the weakest but protects the money of the "big savers."

The third and main step of the "longest process" is seen only as a sale under privatization. It should affect 65-70 percent of the state property "in order to free the activeness of the private sector." Instead of drawing the only possible conclusion (already reached in Poland, Czechoslovakia, the USSR, and by some Bulgarian economists) to the effect that an essential part of the property to be privatized should be given free of charge or almost free of charge to the citizens, Mr. Pushkarov raises the latest populist scarecrow: "The cooperative—an insane idea...a legacy of the 1940's...is the accomplishment of the social democracy." Accepting the purely communist concept of the forced "conversion" from one type of ownership to another (on this occasion from state to cooperative!), the cooperative is rejected because it would allegedly "conceal camouflaged totalitarian structures?!" As we know, this "accomplishment of the social democracy" is viewed by the social democrats (including the BSDP) only as the free association of petty co-owners.

The reason today that the tempestuous blossoming of cooperatives and, particularly, their new forms—people's stock ownership—is being predicted is that, on the basis of the purely economic reason we mentioned, it is anticipated that a huge mass of petty owners will appear. This is not the "legacy of the 1940's" (which was squandered in our country by the communists), but an accomplishment of the 1980's, which was acknowledged by the conservatives, as well. For example, Mrs. Thatcher quadrupled the number of people's stock ownership in the United Kingdom, thus raising the total to 11 million, found in every single family!

The petty diversionary tactic involving "vouchers" and "little grandmothers" is not only wrong and ridiculous but also populist in nature.

Thus, without himself shunning populist "hits below the belt," this former economic expert of the BSDP Executive Council, in contrast to the economic logic understood by a wide range of people, pinning labels that are openly insulting not only to his own party but also to any democratic personality, tries to prove the "populist variant of social democratic values" of the BSDP. Furthermore, the BSDP is being accused of "totally alienating itself from economic realities," and there is talk of the "theoretical interpretation of the consistency between social democratic and liberal values on the economic level."

It has been universally recognized that the social democratic movements, including the BSDP, are the true

bearers of political liberalism in the 20th century because they support free competition among individual initiatives, combining it with social reformism in the struggle against the conservative forces within society. There are two basic forms of social democratic reformism, accepted even by conservative parties: state redistribution and direct participation (cooperation, co-ownership, people's stockholding). A wave of "neoconservatism" swept over redistribution in the Western world, known by the more acceptable name of "economic neoliberalism." In Europe, this wave crashed mainly against the ruling social democratic parties. Unquestionably, it has introduced some changes in their specific state-distribution policies. Naturally, however, this does not mean the full acceptance of and consistency with "neoliberalism." Neoliberalism became the political banner, something that was also natural, exclusively of the right-wing conservative parties.

What has this to do with the BSDP? That party has neither been ruling nor involved in "statism" (precisely the opposite—last year it was the most consistent fighter against it, as represented by Bulgarian totalitarianism), nor does its program include concepts that would "sin" against "economic liberalism." The comical aspect of the charge of populism is that it is taking place along the line of the cooperative, of people's stockholding and mass small ownership, which are forms of "direct participation". It not only is not being attacked by economic neoliberalism and political conservatism but is also being most actively supported by them, as we saw. In Czechoslovakia, Poland, and the USSR, these forms are being introduced by forces that are significantly more to the right than are the social democrats.

Mr. Pushkarov does not fear the position of the BSDP, which adopted the neoconservative program by adopting the Lukanov program. For lack of differences, Pushkarov's program is unquestionably also conservative. That is why it is being suggested to the BSDP that it look for "consistency" with conservatism, which artificially develops social contrasts and divides society into the very rich and the catastrophically poor, stimulating the lifting of the distinction between speculation and business. Bulgarian political drama has been familiar for the past year with the reason for which the BSP [Bulgarian Socialist Party] and Lukanov assumed a conservative position in the field of realpolitik: They are saving their positions in the running of the state as well as in the ranks of the new capitalists of *nomenklatural*-corruption-speculative origin. They are concerned neither about the people nor about the 50,000 small and truly creative companies that are today equally squeezed by totalitarian state ownership and by the big sharks.

The BSDP is a democratic social reformist party of the broad, including the socially weak, social strata, and it must have a clear profile on all sides. On the left, it is distinguished by its systematically democratic and reformist nature, and, on the right, by its social character and structure. Any attempt today at pushing the BSP toward the right wing of the SDS means giving scope to

the social democratic simulation practiced by the BSP and its left-wing phraseology, while pursuing a real right-wing policy—that is, betraying the democratic left to the still extant totalitarianism. The "right-wing" trend demonstrated by parties, factions, groups, and individuals who have abandoned the BSP is an explainable search for reliable "mother parties" and rich friends but has nothing in common with the commitment to high ideals and service to the people and real social democracy.

### Activities of Fatherland Labor Party

#### Membership, Policy

91BA0323A Sofia BULGARIYA in Bulgarian  
26 Jan 91 p 4

[Article by Nikolina Vurgova: "The Fatherland Labor Party Is Establishing Its Image"]

[Text] Many are those who believe that the Fatherland Labor Party (OPT) exists for the purpose of giving a political image to OKZNI [All-National Committee for the Defense of National Interests] and the Bulgariya Association, because this was precisely the way the latter made its appearance during the last elections. The extent to which that is true today and the direction in which the party is developing organizationally were questions answered by its deputy chairman Gincho Pavlov:

"It is true that a large percentage of our supporters are members of OKZNI and that, politically, the program of the national committee is consistent with our own. The belief that Bulgaria must ensure its revival through its own national values and ideals and not at the expense of the national dignity of the Bulgarians is what motivates the objectives of the two political forces. However, OPT should not be identified with OKZNI because it is an independent party with its own structure and organizational life. The decision to undertake its independent development was made on 22 November 1990. A three-day seminar was held in December, at which we refined the organizational system on the basis of preliminary discussions held by the regional committees.

"Two basic aspects distinguish the OPT organizational structure. The first is that we are not relying on mass membership. We are not trying to recruit a huge number of members because we believe that this is a degrading principle in party life. We try to recruit supporters without mentioning high figures. The size of our regional committees is not the most important criterion of their activeness. I cannot become involved with citing precise figures as to how many members we have at this moment for yet another reason. We have been issuing membership cards for no more than one week now. Within that time, we have issued 4,600. However, I cannot predict the future developments of the recruiting process. The real results will come out probably in March or April. By the time of the elections, we may have some 15,000. The largest committees are those in Kurdzhali, Razgrad,

Khaskovo, and Aytos because they appeared somehow naturally, on the basis of the OKZNI committees. Equally strong are our committees in Yambol, Nova Zagora, Levski, and Panagyurishte. As for the fact that the majority of our supporters are also members of OKZNI, let me say that OPT is the political nucleus of that unifying idea. It uses political means and assumes political responsibilities for its actions (as demonstrated by the example of the Razgrad Republic), which, in my view, enhances its reputation.

"The second important feature is that our committees are being organized and that their members decide for themselves how to run their organizational life. This way the party's leadership does not impose from above some kind of preliminary variant that is then adopted by the others. The optimal choice is made by each committee autonomously. This is what makes our structure viable."

Naturally, the question arises of how OPT defines its own position among the other political forces in the country and finds its place in the changing political situation. This question was asked of Mincho Minchev, the party's deputy chairman:

"As a self-respecting party, naturally, we must check our views against those of other parties. We held meetings with the state leadership, the president, and the leaders of the other political forces. We tried, in the course of the discussions, to determine the extent to which we can find a common language on what are for us three basic areas: the Bulgarian political system, its foreign policy, and the national problem.

"The first meeting was held with the bureau of the Grand National Assembly. Our views were received there with total understanding. The emphasis in the discussion was on the political power in the country. We discussed in detail our view about a parliamentary republic and direct presidential elections. Immediately after that we met with President Zhelyu Zhelev. The result was that there were no discrepancies between our views and those of the president. Naturally, as a political party, we take into consideration Bulgarian state policy. We are unanimous on the questions of the police, the armed forces, the country's official language, and, partially, the land and its management. Lesser discussions were held on the national problem. We would like to raise this question in greater detail at subsequent discussions with the Presidency.

"As for the official meetings held separately with the SDS [Union of Democratic Forces] and the BSP [Bulgarian Socialist Party], I cannot say that we achieved the understanding to which we aspired. The position of the SDS was one of listening. This applied mostly to the national problem. Nuances that were not made clear existed on some ethnic problems. I cannot say that we met with disagreement but, rather, with noninvolvement. In discussing problems of territorial integrity and Bulgarian sovereignty, our views were unanimous, and that applied also to our opposition to manifestations of

nihilism. We have still not reached agreement in views on other major problems, but at least the ice was broken, and we began to talk seriously and responsibly. The meeting with the BSP was also one of hearing our views. Naturally, they once again "expressed their concern" about all the problems that concern us, but that was all. The conclusion of that meeting was that "the problems must be resolved." We will not stop there but will continue to seek the possibilities of clarification, understanding, and unity of action for the sake of our country's future."

### Varna Organization

91BA0323B Sofia BULGARIYA in Bulgarian  
26 Jan 91 p 5

[Report by Valya Khristova: "With the Hope That Regional and Municipal OPT [Fatherland Labor Party] Conferences Will Be Useful"]

[Text] Regardless of how it was classified—as a working conference or a free discussion—the meeting that was held on 19 and 20 January at the Druzhba Resort, attended by the Varna Region OPT [Fatherland Labor Party] membership, filled a need. The idea of its organizers in Varna was to exchange views on the party's program and bylaws and to consider the party's strategy and tactics for the forthcoming elections. "We must have a clear stand on the national problem and problems of privatization, agriculture, demographic development, housing, and culture," said Nikola Panayotov, chairman of the OPT Coordination Council, in his opening address.

One of the most extensively discussed topics was that of the economy under the conditions of the denationalization of ownership. According to many of the speakers, OPT should support the type of privatization model that would be based on social dividends and on supplying all citizens with free checks with which to buy stock in the national property. Lyubomir Nikolov expressed the fear that Bulgarian capital could fall into the hands of speculators and suggested "reaching a political consensus on controlling the dynamics of the national wealth."

### Soviets Said Not at Fault for Bulgaria's Woes

91BA0322A Sofia DUMA in Bulgarian 11 Feb 91 p 4

[Article by Candidate of Economic Sciences Angel Dimov, Institute of International Economic Relations, Bulgarian Academy of Sciences: "Is the USSR 'Guilty'?"]

[Text] Of late, malicious anti-Soviet propaganda is being mounted in our country. Efforts are being made to prove that the present inefficient sectorial production structure was formed under the pressure of Soviet experts. The morally obsolete Soviet equipment installed in some of our large plants is being emphasized as the reason for the lagging of our industry. Acts of vandalism are being



organized, aimed at destroying monuments to V.I. Lenin, the Soviet army, and so forth.

It was no accident that, on 5 January last, a statement was broadcast on Bulgarian television by SDS [Union of Democratic Forces] representative Stoyan Ganev to the effect that the Soviet Union should acknowledge its guilt and be held responsible for the present critical condition of our economy. However, the political accusation was not supported with arguments.

What are the facts?

Above all, the Land of the Soviets officially supports the scientific view that, in a country with a population of under 10 million and limited ground resources, no priority should have been assigned to the development of heavy industry. Considering the available labor and natural resources in our country, it would have been expedient to develop certain interrelated sectors and production lines—agriculture, tourism, light industry, the food industry, and so forth—which would have determined the international specialization of our economic complex. This is further confirmed by the fact that, over a long period of time, the Soviet Union gave our country 500 million rubles in annual grants to stimulate the development of our agriculture. Between 1979 and 1985 alone, such free aid totaled almost 3 billion rubles.

Unfortunately, such generous Soviet financing was not used for its specific purpose. Our agriculture became the most neglected economic sector, and it is unlikely that it will be helped now by several dozen million dollars expected from the European Community (EC). I was a witness to the Soviet Union's refusal, for quite some time, to provide technical assistance in building projects in our country that would pollute the environment, particularly in the vicinity of the Black Sea. I have frequently heard Soviet colleagues say that our managers are very "stubborn" (in the impudent sense) and that, whatever is refused them, they manage to obtain at summit meetings. It was thus that, after much insistence, the agreement was obtained to build a third metallurgical base near Burgas (the entire personnel of our institute was opposed to this project).

The building of plants for intensive machine building was undertaken also on the basis of the claim of almost being able to fill the so-called niches in the East European market (again following the examples of Sweden and the EC). Obviously, in such cases, the great amenability and good will of the Russian people toward the Bulgarians is being misunderstood. We began to look at the huge Soviet country as a Bulgarian colony from which we received inexpensive energy and raw materials, paid for with energy-intensive and material-intensive machines and equipment.

For the time being, fuels, mineral raw materials, and metals account for about 60 percent of imports from the Soviet Union. It is thus that we acquire all the necessary imported amounts of natural gas, steel ingots, anthracite

and other types of coal, iron ore, and cellulose, and 70 percent of the cotton and paper we need. Without them, our economic and spiritual life would grind to a halt, particularly if we bear in mind that it is virtually impossible to procure such items from other countries, including the United States.

For many decades, the USSR supplied us (charging one-half of world prices) with 12 million tons of petroleum annually, some of which was processed in Bulgaria for export. Incidentally, this amount has currently been reduced to 5 million tons. It is difficult for us to manufacture consumer goods against sales of which we could obtain another 1.5 million tons, as is stipulated in the recently concluded bilateral agreement. I am sure that, if anti-Russian propaganda continues, the time will come when, for lack of gasoline, our passenger cars will turn into junk piles.

One of the strategic foreign economic tasks of our authoritarian regime was to increase as much as possible Bulgaria's exports of machines to the vast and all-absorbing Soviet market. It was demanded (ignoring the delicate objections of Soviet diplomats) that the volume of such output exceed 70 percent of our total exports to the Soviet Union.

As we know, this assignment, as well, was fulfilled also at the cost of heavy debts incurred toward Western companies. Today, the machine-building output that is being exported to the Soviet market has been reduced by more than one-half, mainly because of low competitiveness. Because it cannot be sold anywhere else, many of the shops and plants manufacturing such goods are being closed down. How can the Soviet Union be "blamed" for this?

Perhaps those who speculate on the subject of the morally obsolete Soviet equipment should look at statistics and see for themselves that, so far, Bulgaria has been exporting to the Soviet market nearly twice the amount of machinery, equipment, and transport facilities as compared to imports of the same types of goods from the Soviet Union. Furthermore, it should become known that most of our industrial enterprises operate with Western equipment. It is true that some of it has better technical indicators in comparison with similar Soviet models. For the time being, however, under our circumstances, Soviet equipment is being used more efficiently because, in addition to being less expensive, it is being routinely supplied with spare parts and raw and other materials. Therefore, we should blame ourselves, above all, for our lack of success.

Naturally, there are reasons for being displeased with Soviet policy as pursued until now. For example, the fact that, although it is a great power, the Soviet Union was unable to create or to help us develop a modern machine-building industry for agriculture and the light and food industries is considered a grave error. The probable reason is that at that time the Soviet Union intensified the development of machine-building for the war

industry, which currently accounts for about 60 percent of the output of the machine-building sector in that country. However, against the background of the initiated conversion of military industry, this error could be corrected.

What matters is to realize that Bulgarian-Soviet economic and scientific and technical cooperation will remain a decisive factor in the development of our national economy. It is mainly through it (and not through Turkey or Greece) that we will be able to find our way to the West European market. Anyone who is unwilling to take this reality into account would irreparably harm society.

## CZECHOSLOVAKIA

### OMNIPOL's Recent Activities Detailed

91CH0371B Prague RESPEKT in Czech  
17 Feb 91 pp 4-5

[Article by Alfred Vogel: "OMNIPOL Unchanged"]

[Text] Our article "OMNIPOL—A Sinister Scene" (RESPEKT, No. 28) discussed the export of arms and the situation at this suspicious enterprise. Although readers responded to the article with letters, we have had no reaction from either the relevant agencies or from OMNIPOL itself. In this article we will attempt to recapitulate the main facts in the previous one, and to compare them with the present situation.

### The Old Geezers Were Frightened but Have Not Budged

So far as control of the enterprise is concerned, everything is the same as before. OMNIPOL, an arms exporter with monopoly rights, is controlled by the Ministry of Foreign Trade. Unlike other foreign-trade enterprises, however, it is controlled directly by the ministry's Main Technical Administration. The interested reader will find the details concerning the enterprise's past and its "cover" name in Frolik's book *Spion vypovida* [A Spy Tells All]. The logic behind this method of control was simple: It was easier to direct and control OMNIPOL as a firm directly subordinate to the ministry. In negotiations with foreign firms that were not from "friendly countries," it was again politically more convenient to let OMNIPOL appear in the guise of an independent institution. The Main Technical Administration's director general is also the first deputy minister. Until fairly recently, that was Stanislav Fritzl. A month ago he was moved from that position and is now the director of a newly created department within the ministry; that department will be concerned with licensing foreign-trade ventures. The Main Technical Administration's new director [general] is Engineer Stanislav Kozeny. Until December of last year, he was our commercial attache in Iraq and has the best possible contacts within the Iraqi leadership. A few weeks before the invasion of Kuwait, he tried to close a deal with an Iraqi delegation

in Prague, for the sale of additional tanks. Mr. Hava remains the general manager of OMNIPOL itself.

RESPEKT, No. 28: "Slama and Pagas, the present deputy general managers of OMNIPOL, have been with the enterprise for at least 20 years and have been occupying their present positions for many years. Slama, the deputy general manager for trade, is the bearer of the Order of Labor. He chaired screening committees after 1968. Two weeks after 17 November, at the Civic Forum's organization meeting which he attempted to disrupt, Pagas, the deputy general manager for trade policy, declared that Havel had been a fascist kid and would never be able to shed his past. The enterprise has seven trade departments, a Department of General Problems, a Department of Trade Policy, and auxiliary technological departments. The employees of one department often do not know what their colleagues in a neighboring department are concerned with. Some of the trade departments are as follows: Department No. 10—Aircraft; No. 30—Export of Caterpillar Materiel; No. 60—Import; No. 70—Investments Abroad; and No. 80—Licensing, Documentation, and Training. All seven department directors are mostly former nomenklatura cadres of the Communist Party of Czechoslovakia [CPCZ] Municipal Committee. Director Stibor is a former cadre of the CPCZ Central Committee. Director Sir is the former chief of the People's Militia at the Federal Ministry of Foreign Trade. And Director Usela is a former popular lecturer in Marxism-Leninism at various higher educational institutions. Engineer Soupal, the chief of the Department of General Problems (the so-called Department of Meritorious Retirees), was commercial attache in Moscow.... A Civic Forum branch had been formed at the enterprise but was soon pulverized, and the leading activists were forced to leave.... Of the enterprise's employees, 78 percent were active members of the CPCZ, and a fifth are still active members.... Most employees are of retirement age...."

After the publication of the first article, the mentioned gentlemen became nervous. Engineer Soupal's department even called on employees, through the public-address system and the plant newspaper, to observe state secrets and reminded them of Law No. 102 on the Protection of State Secrets. Militiaman Jiri Sir, a semtex expert, was even promoted and became the director of combined departments Nos. 20 and 30. Deputy General Manager Slama was "removed" to become Sir's deputy, but at the same salary, of course. What else has changed? General Manager Slama became a shareholder of the Cargo Moravia firm. Deputy General Manager Pagas aspired to the post of general manager. Dvorak, the enterprise's legal counsel, opened a travel agency. Korg, the head of the personnel department, left, but only to become the director of a technological department. The new head of the personnel department is Ilona Zelenkova, the wife of an intelligence officer who until July was assigned to our embassy in the United States. Jares, the chief of the enterprise's general CPCZ organization, left the enterprise (he is perhaps the only one to do so) and found a job with the Investment Bank.

The enterprise still has a special department for plant security; it monitors the entire building from room No. 210. Armed members of that department guard the plant, and they also serve as escorts for OMNIPOL couriers. OMNIPOL's archives are located on the third level underground. They are guarded constantly, and sealed when everyone has left.

#### Armored Train in the Rear

RESPEKT, No. 28: "No one supports OMNIPOL these days, no one offers it intergovernmental credits, but no one checks it, either." That holds true even today. There is no doubt that the anarchy at the Federal Ministry of Foreign Trade following the death of Minister Stracar came handy for OMNIPOL. Although a representative of the Ministry of [Economic] Control was moving about the enterprise last fall, the audit proceeded to the satisfaction of the enterprise's management and did not cause anyone trouble.

An unpleasant situation developed for the enterprise in December when Colonel Radocha, the chief of the Czechoslovak State Bank's Administration No. 611, was arrested. All payments to OMNIPOL (an overview of what was sold to whom and for how much) passed through this military administration of the bank. Colonel Radocha had attempted to smuggle \$2 million of the Communist Party's "secret" funds to the Soviet Union.

Regrettably, the publicity the whole affair received was not too wide. It nevertheless suggests in what people close to OMNIPOL are involved, among other things.

Here it will be appropriate to emphasize some of the things that were not underscored sufficiently in the previous article. It is now very timely to point out that OMNIPOL was an institution controlled directly from Moscow and had close links to the KGB and GRU. Its links to State Security are perhaps the only ones that can be severed. Many of OMNIPOL's employees were State Security officers; others were residents of State Security's No. 1 Administration (Intelligence); and many more were agents or members of Military Counterintelligence or Military Intelligence.

The architect of OMNIPOL in its present form was State Security Colonel Josef Langer who had the best credentials specifically in Moscow. During his tenure he "shuttled" continually between Milovice, the Soviet Embassy, and Moscow. By the spring of last year, [his] trade relations with the Soviet Union had sharply declined; but from autumn on they perked up again (including regular flights on official business), despite some confusion which was due to the political situation in that country. And how are things with other people who had close ties with Moscow? Engineer Bada, former head of Langer's onetime secretariat and the famous organizer of the "pirogi and beer" program and other friendly meetings with the Central Group of Soviet Forces, is working at the commercial representation in Germany. Mr. Skocdopole, one of OMNIPOL's former directors, is working

at the Federal Ministry of Foreign Trade's commercial section in Berlin. (There the ministry has taken over the premises and furniture of the former Czechoslovak Military Mission in West Berlin.) For nine months after the revolution, Engineer Langer still functioned in East Berlin as ambassador to the GDR. Many of OMNIPOL's transactions in the past were oriented specifically in that direction.

#### Commissions

Commissions have always played an important role in OMNIPOL's deals. It is shocking that no one has yet conducted a proper financial audit which at least would have attempted to uncover all the financial machinations that occurred over the years.

What was the mechanism of commissions? A distinction must be made between commissions on sales and the ones on purchases. The former are either secret or nonsecret. The secret commissions usually amounted to between 4 and 7 percent of the f.o.b. price (the commercial invoice's total, excluding direct commercial expenses). To this there usually was added 1 percent as a so-called reserve. The questions surrounding the accounting for these reserves are the most obscure. In most cases, gifts from Tuzex were involved. When OMNIPOL representatives went abroad, they were exempted from customs inspection. Thus they were able to actually export only a part of the declared gifts, leaving the rest here.

The control organs ought to thoroughly establish how the resources for secret commissions were formed, and how the commissions were calculated and accounted for.

In the case of purchasing goods, the enterprise's employees were obliged to politely refuse commissions. If that did not succeed, they were required to accept the commissions and account for them. But it was hard to ensure that the commission did not find its way into the OMNIPOL employee's foreign-currency account with a bank abroad, for instance. The senior officials did not worry much about this problem. It is a known fact, for example, that when Engineer Langer returned from a foreign trip, his driver had to make several trips to the airport to bring home the gifts.

#### Second Wind?

In the previous article we wrote that OMNIPOL was experiencing some financial difficulties. In the final months of last year, the situation began to improve again. An indication of which was also the fact that OMNIPOL purchased from the Matin Engineering Works 25 tanks for which it did not yet have orders.

Six months ago it still seemed that OMNIPOL's strongest trade contacts—i.e., with the Arab world—were reaching a dead end, primarily because our partners were unable to pay their bills. As a result of the crisis in the Persian Gulf and of our own economic difficulties as well, the situation has begun to change conspicuously,

and OMNIPOL is even negotiating with other Arab countries in that region (Saudi Arabia, Egypt, and Sudan). Libya has promised to repay a part of its debt in oil, and trade relations with that country are again lively. In December, OMNIPOL (specifically People's Militia machine gunner Usela and subdepartment chief Louma) concluded with Libya a deal to supply 18 million dollars' worth of spare parts for tanks and troop carriers. Mr. Sir is negotiating a sale of tanks to Iran. Trade with African countries, primarily with Nigeria and Zimbabwe, is expanding. (OMNIPOL is trying to export troop carriers and tanks to Nigeria.) Deals motivated solely by politics—with Central America, Laos, Vietnam, and Cambodia—have ceased. Good trade relations with India are persisting, and trade with China is developing promisingly. OMNIPOL is also beginning to lean more toward trading with private firms and through agents in various countries. Some of OMNIPOL's recent trade negotiations were as follows: On behalf of the Libyan Intelligence Service, the trader Corrado sought to buy twelve L-410 planes equipped with intelligence-gathering and jamming devices. The Lebanese trader Traboulsi attempted to conclude a contract for the express delivery of 100 T-72 tanks. Here again, Libya would have been the final customer. Werner Glatt, an American citizen, inquired about the availability of SS-1 rockets with a range of 150 to 300 kilometers, and of one artillery radar set.

OMNIPOL is also facilitating the sale of Bulgarian and Hungarian submachine guns and ammunition to other countries, and the export of turnkey plants from West Germany.

### Libya

Along with Iraq, Libya is regarded as one of the most dangerous regimes in the world. OMNIPOL has lost its Iraqi market, but relations with Libya are continuing to develop successfully. Therefore it will be worth while to dwell on OMNIPOL's activity in that country. Relations with the Khadafy regime were cordial in the past, and trade was conducted on the basis of wide-ranging intergovernmental agreements. OMNIPOL supplied Libya with practically everything it could: tanks, troop carriers, ammunition, explosives including semtex, and aircraft. It arranged for the stay of our military experts and instructors in Libya, and also for the education and training of Libyan students in our country. Contracts were concluded for the construction of military plants, barracks and strategic highways.

In 1973, about 100 kilometers southeast of Tripoli (in the Gharyan hills), construction was begun on a plant, known as TAZ, for the repair of tanks and aircraft. A year later, near the town of Sebha in southern Libya, construction was begun of a plant, known as ARO, for the construction and assembly of aircraft. Both enterprises are nearing completion, but about 600 Czechoslovaks are still working on them. Konstruktiva, and Pozemni Stavby [Building Construction] Olomouc are the

most involved in construction work in Libya. Through OMNIPOL, a West German firm is building a plating shop in Gharyan.

OMNIPOL concluded all its contracts with Libya's Department of Military Purchasing (therefore it was ridiculous for Jiri Sir to claim, in the BBC documentary on semtex, that only the sale of explosives for civilian use was involved). OMNIPOL employees have always been popular in Libya and have been given even more perquisites than the Soviets, because the Libyan dictator has always been mistrustful of superpowers to some extent. A mafia dominated the foreign workers also in Libya. Stibor, the former cadre of the CPCZ Central Committee, for example, controlled an entire network that collected the dollar checks of workers from Czechoslovakia and other countries, and then resold the checks in southern Libya at 100 percent profit.

### New Ambassador to Germany on His Aims, Tasks

91CH0368A Berlin DER TAGESSPIEGEL in German  
26 Jan 91 p 10

[Interview with Jiri Grusa, Czechoslovak ambassador to Germany, by Alexander Loesch; place and date not given: "The Work of Reconciliation Must Begin From Below"—first paragraph is DER TAGESSPIEGEL introduction]

[Text] Czechoslovakia under President Havel has been trying for a year now to restore the closest possible relations with all democratic states of the West. This also involves a radical change of personnel in the diplomatic service with the objective of replacing the often incompetent Communist Party functionaries with competent specialists on the respective countries and of remaking the once painfully infamous spy centers into embassies of a civilized country. In Germany, the CSFR has been represented by the writer Jiri Grusa as the new ambassador since the first of the year. He was forcibly expatriated under the old neo-Stalinist regime in 1980 and subsequently lived in Bonn as a German citizen. Alexander Loesch spoke with Jiri Grusa.

[Loesch] Mister Ambassador, you are the first diplomatic representative of a democratic Czechoslovak state in all of Germany since World War II, a state whose President Havel immediately after his election at the beginning of last year, with his still disputed apology for the atrocities of the expulsion of the Sudeten Germans, wanted to put a final end to the disastrous development that began with the misuse of the question of the Sudeten Germans by Hitler and ended with the evacuation of the Germans, with Stalin's calculating support and the subsequent communist takeover in Prague in February 1948.

What can a Czechoslovak ambassador do to help alleviate the historically stressed German-Czech relations and to promote new, cooperative neighborly relations?



[Grusa] He can start by objectifying the entire discussion about this and he must also correctly understand the unique historic chance consisting in the fact that for the first time in about 150 years we have the opportunity to attempt something positive together with the Germans; the last joint appearance in history took place in 1848. We have taken separate paths since then and people were constantly trying to shift the responsibility for the so-called victories back and forth until now, when we have determined that there cannot be any lone actions in this historical-geographic space. And this insight must now be offered on both sides. I now see favorable preconditions for this on the German side. This is basically true for the Czechs as well. At this point, I probably should say that as ambassador here I naturally represent both Czechs and Slovaks, but this specific set of problems of historical burdens mainly involves the former, although there is also a certain Slovak component there. So it is first of all a matter of German-Czech reconciliation. My role in this as ambassador is primarily one of educational work on both sides.

[Loesch] "Back to Europe!" says one of the program postulates of the current Czechoslovak Government. But it is not just geographically that the path almost necessarily leads through the closest neighbor to the west—Germany. Do you think that true reconciliation broadly supported by the population of both nations—comparable to the rapprochement between France and Germany—is possible in the foreseeable future?

[Grusa] Here I must say that there has already been a reconciliation in a certain sense, namely within the generation that I represent. Even the communist propaganda was not able to stop this process. The former opposition movement Charter 77 blazed a trail in this reconciliation process. And it was also the Charter that advanced the postulate of German unity, for example, in the former Eastern Bloc. Indeed, it was in the year 1985, if I am not mistaken. And we also condemned the expulsion. What Havel articulated as state president, had long been clear for us. This is, to be sure, linked with a number of practical questions that must be tackled cautiously on both sides. At the same time, however, we must also state clearly what will work and what will not. After 10 years of living in Germany, I am only now as ambassador being confronted with extreme Sudeten German voices that in letters are questioning the right of the Czechoslovak state to exist. Often they are downright abusive. By this I want to say that there are remnants of an irreconcilable attitude or tension on both sides. Statistically these implacable people are only a small minority but one must know that they exist. I have even found them more often in Czechoslovakia—among the Czechs—than here. But to repeat as clearly as possible: anyone who has not yet been reconciled to the existence of Czechoslovakia is no one with whom I or my government can talk.

I would also like to remind you that the rise of the Czechoslovak Republic was one of the results of World War I, in the outbreak of which not a single Czech

politician was in any way involved. The groups in Austria that favored this outbreak all had a German national and even anti-Austrian orientation. Czech policy at that time, on the other hand, was for Austria and for a long time did not preclude the increased historical mutuality.

[Loesch] Czechoslovakia is now tackling the restoration of the law-governed state, which is also linked with the elimination of the injustice of arbitrarily confiscated private property. How will your government handle the property of the Sudeten Germans that was confiscated even before the communist takeover after 1945 and, at the same time, deal with the existential fears of the people now living in the areas of the former Sudeten Germans?

[Grusa] Well, we have already tackled the so-called small-scale privatization and it is clear that it must be followed by large-scale privatization. And that will be more difficult, for it necessarily affects all previous owners—the Czechs, the Slovaks, and the Sudeten Germans. I cannot yet say specifically how this will be done, because it is the subject of continuing deliberations in parliament and will be for some time yet. For the present, there are three or four concepts. But it is already clear that in the question of the Sudeten German property as well there is no way around a unanimous solution among all those involved.

[Loesch] How specific are the plans that they are talking about in Prague—setting up a special cooperative zone, in the framework of the neighborhood rapprochement, around the so-called Ascher Corner where the three regions come together: Egerland, Vogtland, and Oberpfälzerwald?

[Grusa] These plans, to be sure, are not yet very specific but there is already a certain cooperation. The people are participating spontaneously. They are taking advantage of the new freedom to travel and are establishing contacts across borders without the need or ability to have regulation from above (these contacts exist not only in the sense of authorized but also of unauthorized cross-border trade). I do not mean to be critical at all. The people are doing something that we should have legalized long ago. A spontaneous exchange in the private economy arises, which is being obstructed in particular by the midlevel Czech bureaucracy from the time of the previous communist regime. This bureaucratic level is still rather obstinate, although theoretically everything has long been functioning in the top levels of government as well as down at the municipal level. The important task at this time is to get rid of the midlevel graft.

But to get back to the transregional cooperation across borders: precisely this, in my opinion, is the level where the specific work of reconciliation can be accomplished, because the people involved can get to know one another. I am thereby thinking, for example, about the joint bodies made up of interest groups from the border regions of Bavaria, Saxony, and Bohemia, naturally

including the Sudeten Germans as well, who could then try to achieve agreement on ways to solve the specific respective problems—including the open or disputed questions about ownership. Something like that could show that it works. By the way, I consider this to be better than offering universal solutions for pending questions—involving property, for example—from above, from the government level.

[Loesch] In connection with the Soviet military force in the Baltic region and the obvious shift to the right in the USSR, the Polish President Walesa recently spoke of a possible "deadly threat" to his country and thereby justified Warsaw's reserve with respect to closer cooperation with Prague and Budapest so as not to irritate Moscow. How secure internationally is the future of Czechoslovakia and how stable is the renewed democracy there in view of the expected social tensions in the transition to a market economy?

[Grusa] Naturally I am no prophet but I want to hope that the democracy and general stability not only in Czechoslovakia but also in Poland and Hungary will be consolidated. In the case of the Soviet Union, however, I am extremely skeptical. With the exception of the three Baltic states, I do not see any mental precondition for democracy there. Initially it is probably necessary to find an interim solution in the USSR.

[Loesch] How strong are the old communist power structures in the public and economic life of the CSFR, and above all what is the situation with respect to the infiltration of the former opposition and current democratic public by the former communist security organization StB [State Security], about which one hears relatively little in comparison with the former GDR?

[Grusa] Well, one will soon hear more about this. Fortunately we still have lists of the names of StB agents. It is a matter of about 140,000 persons, whose files are now being reviewed. We are intensively pursuing the public discussion of such questions as personal guilt or involvement. Naturally this is not a theme in the German media but it certainly is in the media of my country. The most difficult problem associated with this is that of determining the extent of personal guilt and avoiding possible human tragedies. I myself am in favor of a clear exclusion of those who have compromised themselves. But it is an extremely difficult matter to determine the criteria for this. Many were involved in the old system of spying on one another. I also know of such cases from the immediate circle of my political friends. A certain amount of mourning needs to be done here and, if necessary, legal steps must be taken. But a general witch hunt goes against our political and moral principles. The real culprits who were involved in the communist system

of repression must be punished. But all of this takes time and must take place strictly within the framework of the law-governed state.

[Loesch] And to conclude, a little historical nostalgia, which can be heard more and more often of late in conversations with people in Czechoslovakia. To what extent and how specifically can one in Prague or Bratislava pick up on the historical commonality with Austria and Hungary? Could one do that? Should one?

[Grusa] The historical ties to the Austrian Danube area over more than 1,000 years mainly involve the Bohemian lands, but the Hungarian component, too, comes in through Slovakia. And these ties can simply not be wished away. A good Czechoslovak policy must always include an "Austrian" component and assume that its main interest lies in this historical area. The goal of any sensible policy is naturally the unification of Europe but this regional tradition of "central Europe" is for us the creative source of what we want to bring to the integration. We are striving for close cooperation with Austria and Hungary and at the present time the border with these two countries is the most comfortable border for us, with the fewest problems.

#### Origin of Pittsburgh Agreement Clarified

91CH0363B Prague DOKUMENTACNI PREHLED  
in Czech 17 Jan 91 pp D 1-2

[Text] The agreement with representatives of Czech and Slovak organizations of countrymen in the United States was drafted by the chairman of the Czechoslovak National Council, T.G. Masaryk. On 30 May 1918 it was signed in Pittsburgh by leaders of the Slovak League, Czech National Association, the Union of Czech Catholics, and T.G. Masaryk. It was a proclamation calling for the union of Czechs and Slovaks in an independent state composed of the Czech lands and Slovakia. It defined the Czechoslovak state as a democratic republic in which Slovakia would have its own parliament, judiciary, and administration. Slovak, taught in schools, would be the official language of the region. Details of the establishment of the Czecho-Slovak state were left to be worked out by "liberated Czechs and Slovaks and their authorized representatives." The agreement was intended to ease the fears of American Slovaks, leaning toward separatism, of a "czechization" of Slovakia. This agreement replaced the one signed in Cleveland on 22 November 1915.

During the pre-Munich republic, principles of the Pittsburgh Agreement were not consistently implemented. Certain political parties in Slovakia, especially Hlinka's Slovak People's Party, evoked the agreement as a Czech-Slovak treaty which it was not. It was rather merely an agreement by American Czechs and Slovaks to a program proposal. The final agreement, the constitution, the position of Slovaks and Slovakia within the republic, were legislated by the National Assembly.

## HUNGARY

**Minister Views Draft of National Security Law***91CH0354A Budapest NEPSZABADSAG in Hungarian  
31 Jan 91 pp 1, 4*

[Article by P.V.: "Built-In Informers: Law Proposal"]

[Text] (Reported by our staff writers) The proposed law No. 1462 concerning national security is a new element in Hungary's legal system, emphasized Andras Galszecszy, minister without portfolio, while talking with journalists in his office about the proposed national security law.

National defense makes it inevitable that the government maintain a secret service, which is free of ideological and political preconceptions, and is organized to protect our sovereignty and the state's economic and defensive interests. According to the constitution, the national security law must be ratified by a two-thirds majority of parliamentary deputies. Under the prevailing conditions this means that a consensus of all of the parliamentary parties will be necessary in order for the law to go into effect.

It became clear from the words of the minister that the operation of the national security organs can in no way be made subject to partisan political interests. One factor guaranteeing this is that opposing parties are represented in the course of parliamentary oversight. The professionals of the national security organs cannot be members of either political parties or trade unions.

One interesting point of the proposed law is this: It prescribes that persons who fill particularly important functions or posts will have to pass a security clearance, primarily in order to satisfy certain counterintelligence requirements. Such a clearance would take place before the individual begins working in the post, as well as subsequently; in both cases with the individual's knowledge. Advance notification announces the applicability of clearance, and does not describe the circumstances of the procedure. Job descriptions and functions in this regard are prescribed by law.

The proposed law describes how authority may be obtained by the national security organs to open mail, monitor electronic telecommunications, or clandestinely enter private residences for the purpose of making audio or video recordings. This will come under the jurisdiction of the Budapest Court, with a judge specifically empowered by the court to grant such authority. Although the proposed law does not specify this, it is obvious that providing such authorizations in a continuous and effective manner (which has a guaranteed character) will require the participation of several judges. (This means changing the present system. Until now, the issuing of such authorization, which public opinion considered a sensitive issue in light of recent events, such as the so-called Duna-Gate affair, was the minister of justice's exclusive prerogative. There were exceptionally urgent cases when officials in need of such authorization called the minister in the late night or early morning hours.)

According to the proposal, if a delay could cause grave consequences (such as during three-day holidays, when the courts are not working), an authorization can be granted by the director of the national security organ, this being valid only until the decision made by the court, which must also be simultaneously petitioned.

In the words of the proposed law, "special measures that are used in most countries of the world" will survive the transformation of the system. (During the rule of the party-state, these measures were represented by officers whose status was designated to be top secret.) There will be no substantial change in this regard, because national security organs will be able to put their own personnel into positions within certain state or private organizations. This means that such personnel would perform national security work in these organizations, without the knowledge of their coworkers. The manager of the organization is entitled to know which of the workers perform such classified functions. "If a valid governmental decision exists, organizations may not refuse the creation of such a working relationship." The government precludes the creation of such working relationships in such places as judicial organs, political parties, or religious bodies. Organs of the mass media are not specifically included in this category, but Minister Galszecszy responded to the NEPSZABADSAG's question by stating: "That is another area where organs of national security will not undertake such secret assignments."

The organs under the minister's jurisdiction continue to rely on the cooperation of agents, whose person and work constitute a state secret.

In the course of his conversation with reporters, the minister cited examples to illustrate how they decide which of the anonymous reports (which, true to a rich tradition, continue to flood government offices) are worth investigating, and which are not. As he said, if an anonymous letter reports who will be elected to the leadership of an MSZP [Hungarian Socialist Party] organization, they are not going to be interested: After all, the MSZP is a legitimate political party. On the other hand, if they hear something about the revival of the Association of Awakening Hungarians (the fascist, anti-Semitic organization of the Horthy era), they would have to deal with that, because it would indicate unconstitutional activity.

**Local Authorities, Government Commissioners Clash***91CH0354C Budapest NEPSZABADSAG in Hungarian  
29 Jan 91 p 4*

[Interviews with Commissioner Dr. Tamas Hegedus and Chairman Dr. Gabor Zongor by Janos Czingerab; places and dates not given: "Incompatible Functions"]

[Text] (From our county correspondent) It is rumored that in Veszprem, the commissioner of the republic and the county's local government will soon have a confrontation. It is also possible that the conflict, which is centered on electing the deputy chairpersons of the county convention, will be settled by the courts.

For the time being, the affair has not been documented, but one of the republic's commissioners, Dr. Tamas Hegedus, acknowledges that there are differences in the interpretation of laws.

[Hegedus] The county convention elected two deputy chairpersons. In my opinion, this conflicts with the law on local government, which talks expressly about electing one deputy. Perhaps even more important is the debate concerning the person of Zoltan Kovacs, the mayor of Papa. They elected him to be one of the deputy chairs of the county convention, and I feel that the two functions are incompatible. The law clearly states that no one can simultaneously be mayor in two communities, and the chair and deputy chair of the county convention are covered by the same legislative regulations as the mayors of communities.

[Czingeraber] Leaders of the county's self-government bodies, on the other hand, interpret the regulations differently.

[Hegedus] That is true. However, I still say that we have discussed this issue at the meeting of the republic's commissioners, and formulated a unified point of view. Our position is strengthened by the statement issued by the Ministry of Internal Affairs.

[Czingeraber] What can you do in this situation?

[Hegedus] As of now, I verbally call attention to this infringement of the laws, and ask them to correct their mistake. I am now studying the records of the county convention, and decide what step to take next, if my warning goes unheeded. A written notice is likely to be next, and only subsequently can I take the case to the courts.

We also talked to Dr. Gabor Zongor, chairman of the county's self-government:

[Zongor] I consider the election of deputy mayors to be entirely legal. Until I receive a notice in writing, I do not feel I have to do anything in this case.

[Czingeraber] What will you do if you receive a notice in writing?

[Zongor] I will convey the opinion of the republic's commissioner to the self-government organs. That body will decide whether it wants to change its earlier position or not. In any event, my advice will be not to change. And if the difference of opinion prevails, let the courts decide!

### 'Third Way,' Social Market Economy Explained

91CH0356A Budapest HITEL in Hungarian 23 Jan 91  
pp 28-29

[Interview with economist Otto Hieronymi; place and date not given: "What Does Ropke's Legacy Mean Today? A Conversation With Otto Hieronymi, One of His Students"—first paragraph is HITEL introduction]

[Text] *Hungarian Economic Renewal—The Western View* was completed in early 1990 at the Battelle Research Institute and was published last summer in Hungarian. It was written by Otto Hieronymi, a Hungarian economist from Geneva, in cooperation with an international group of experts. Hieronymi was born in Budapest in 1938. Soon after graduating from high school in 1956 he came to the West. Between 1958 and 1963 was a student of Wilhelm Ropke at the Geneva Institute for International Relations.

[HITEL] How did you learn about the German scientist's name and how did you become his student?

[Hieronymi] I clearly remember that I first heard of Wilhelm Ropke from my father in February or March of 1955. My father had just been released from prison, and we took a walk on Lajos Kossuth Street. I was a high school student at the time, and we were talking about great minds, which by all means deserved recognition. Father mentioned only one name: Wilhelm Ropke. I will never forget that moment. Upon my arrival in Geneva in the spring of 1957, I wanted to study political science and international affairs. I learned that Ropke had been a professor at the Institute for International Relations. This can't be true, I said to myself. I was unaware of the fact that Ropke had resided in Geneva all along.

Once I met this man and became familiar with his writings, it became increasingly clear to me that I should be guided by Ropke's thought. I witnessed as a child German occupation and German totalitarianism, and then, as a young Hungarian, I saw the way a blossoming democracy turned into another reign of terror a few years later. Whenever I refer to Ropke's thought, I mean his recognition of the possibility to achieve a balance between economic rationality on the one hand, and a liberal outlook which respects the individual, on the other. This idea has served as a guide throughout my life.

This is how I got my first job in the United States in 1962. The new University of Dallas hired me even before I completed my dissertation. I found it interesting that many failed to understand what Ropke had actually represented. In light of some fashionable theories, many felt that Ropke's ideas were antiquated. Such feelings had been expressed sometimes from the right, but more frequently from the left. A disciple of Ropke would not have had much chance to succeed in the 1960's, when Keynesian theories dominated American universities. Ropke would have been viewed as overly conservative. More recently, however, beginning in the 1970's and 1980's, Ropke's liberalism appeared as an overly middle-of-the-road theory, because in our days, a different doctrinarian thought, one reminiscent of 19th-century thought, has become fashionable.

I arrived in Budapest in late 1989 to prepare our analytical work about the Hungarian economy. I was pleased to learn that Jozsef Antall, one of the opposition leaders at the time, was not only familiar with Ropke's works, but also envisioned the path for transforming the

Hungarian economy in terms of a social market economy. This is the theory and practice, in the molding of which Ropke and his memorable book, *The Third Way*, played such a great role. (Since then, the expression used as the title of the book has acquired shades of color different from what Ropke had in mind.) The fact that a Hungarian politician knew exactly what has truly been at issue served to reassure an economist who had just arrived from Switzerland.

Incidentally, Ropke had never forgotten that this book of his had been published in Hungary in 1943, and that it had evoked great response there. Upon enrolling at the Institute in 1958, one of the first things Ropke told me about concerned his warm feelings toward Hungarians because they had very quickly understood his message.

[HITEL] What do you regard as the most important quality of Ropke's work?

[Hieronymi] He was the first modern economist who began to thoroughly analyze political, sociological, and moral issues related to the economy. He demonstrated that the economic system and economic freedom were part and parcel of freedom as a whole, and that respect for the rights of individuals had to be in harmony with the interests of communities, of the family, and of the country. He envisioned this not as some kind of an artificial harmony, like the kind of harmony that had been invented by the Nazi or communist system. Harmony itself had to constitute a free system. Ropke's liberalism denies both the intoxicated totalitarianism of the 1930's, and the absolute liberalism advocated by followers of the Manchester School of thought. In Ropke's view, totalitarian systems had been able to rise in part because extreme liberalism had failed to provide solutions to issues like the appreciation of the individual and the essence of morality and community. In other words, the human and social dimensions had been missing from 19th-century liberalism. Totalitarian systems, like fascism, communism, or Nazism, had subordinated the economy to political forces. Thus, these systems had formed an economic system out of the irrational features of the economy, while the extreme forms of liberalism had denied the significance of moral and social factors. This idea amounted to a revolutionary novelty in the late 1930's and into the early 1940's. It countered views which held that the Marxists were Hitler's true opponents.

Ludwig Erhard had read Ropke's famous book. (The original title of *The Third Way* reads as *The Social Crisis of Our Present Days* in German.) In 1943 and in early 1944, Erhard always carried a bag in his hands. It contained a 150-page text that he wrote. In it he described the economic and financial situation of Germany after having lost the war. Wilhelm Ropke was one of the people who truly inspired Erhard in terms of economic policy and with whom he shared deep thoughts. A concept which simultaneously denied both rightwing and leftwing collectivism as well as 19th-century liberalism, which presented itself as the ideal

way out for Germany. Ropke was not the only one to represent this view, but his book was one of the first publications to clearly express this view.

[HITEL] What currently valid message is there in Ropke's work?

[Hieronymi] The essence of his work may be summarized in a few sentences. Neoliberalism (not in the American sense), the social market economy, represents an actual balance between economic competition, economic freedom, and economic rationality on the one hand, and the community, the individual, and the family on the other. This is the way Ropke, Erhard, and others perceived it, and this is the way it has come into being. Private property and respect for private property are the natural conditions upon which this balance is based, and so is a way of thinking which reflects concern for society, and respect for moral requisites. The market plays a decisive role in the economy, but not everything in society is to be determined by the market. Accordingly, Ropke could not perceive an economic system as efficient, if that system disregarded moral considerations, if it failed to respect the individual, the family and the community. This means, that any perception which holds that economic issues must be decided on the basis of political considerations is contrary to the precepts of neoliberalism and of the social market economy. Yet, this is what has happened under socialism, in collectivist societies which lack economic freedom. However, systems fully based on the laws of economics, on competition, are also opposites of the neoliberal social market economy.

In practice, a social market economy would require a social consensus of course, an efficient state capable of safeguarding values which could not be safeguarded by the private economy, by the economy [as published]. Quite naturally, this would include more than the securing of public order, the protection of public security and the satisfaction of common needs. It would also include regulations which result in honorable business conduct, a discontinuation of abuses, the liquidation of abuses based on monopolistic situations, and the curtailment of unfair competition. Just as impoverishment, these kinds of things must also be prevented by the state and the community. Perceptions which regard individuals who have failed to succeed in a market economy as persons who have withdrawn from society, would be inconsistent with the principles of a social market economy. In other words, the phenomenon of becoming marginal and mass impoverishment are inconsistent with a social market economy. But another perception would also be inconsistent with the social market economy: The tenet which held that distribution was the only important matter because nothing could be distributed short of efficient production.

A social market economy is founded on the idea that everyone endeavors to achieve as much as possible, because it is worthwhile to do so. One can achieve more by producing more and in a better way, and not by taking



away from, or cheating others. It then follows that growth is an important element in social market economies. But such growth is not artificial, it results in a more efficient work performance by everyone. But efficiency cannot be achieved without fighting inflation, because inflation is the source of severe economic and societal distortions. Thus, quite naturally, there is a need for financial and budgetary discipline. Notwithstanding this need, an economic policy cannot be built purely on constraints, and particularly not on constraints which remove the people's incentive to work harder and to make initiatives.

In the context of today's Hungary, all of this amounts to the following. Privatization, more efficient markets, more competition, liberalization, a greater work incentive for everyone, and an incentive to accumulate savings are needed. Conversely, we must watch this process so that it does not lead to the impoverishment of increasingly greater segments of society, and to the severance of these segments from opportunities provided by the market economy.

Seldom do we find situations in which a political and economic policy slogan becomes reality. In Germany, "Wohlstand fur alle" ("Prosperity for all"), the watchwords of the social market economy, have essentially been realized. A social market economy is not the privilege of wealthy countries, and it is not true that poor or developing countries require some kind of quasidictatorship or policies built on tough constraints. The policy of a social market economy is expressly a policy of reconstruction. It was not introduced in a wealthy Germany or Austria. To the contrary, this policy enabled these countries to accomplish an economic upswing and to become wealthy. The two parts of Germany best attest to this policy of course. The two parts of Germany began to follow two different economic paths at the same time. The results speak for themselves. Social market economy is the most successful economic legacy of modernization not only in Germany, Switzerland, and Austria, but also everywhere in the western part of the continent, where this theory had been implemented, albeit under different names.

Actually, by choosing the path of a social market economy, Hungary does not merely revive a successful economic policy legacy, but also seeks a path which enhances economic development. This is because this legacy had not been reserved for implementation by wealthy and developed societies alone.

#### **Possibility of Return of Horthy's Ashes to Hungary**

91CH0354B Budapest NEPSZABADSAG in Hungarian  
1 Feb 91 p 6

[Interview with historian Peter Sipos by Laszlo Hovanyec; place and date not given: "Horthy in Hungarian Soil?"]

[Text] It has been rumored recently that the Hungarian Maritime Officers Association and the town of Kenderes (Miklos Horthy's birthplace) initiated an effort to repatriate the ashes of the former regent, who died in 1957 in Portugal. We asked historian Peter Sipos, what does he think of this initiative?

[Sipos] For 25 years Horthy was the head of the Hungarian state, and to the largest proportion of Hungarian society, he was the symbol of our sovereign statehood. Moreover, he was a popular, one might even say, a charismatic leader. From a human point of view, I find it perfectly just that he should rest in Hungarian soil.

[Hovanyec] There is an issue which might be problematic: In what form should repatriation of the ashes and the reburial take place?

[Sipos] It would be unfortunate to organize a nationwide demonstration, because Horthy's political achievement was incomparable to that of politicians whose funeral, or reinternment, was accompanied by national mourning.

As we know, Lajos Kossuth's funeral in 1894 was performed in the spirit of national sovereignty, the 1848 revolution, and the war of independence, and it became a sort of societywide demonstration. As a consequence, Hungary's official representatives were not in attendance. But hundreds of thousands of people remembered the statesman who freed the serfs, initiated Hungary's independence, and rejected the compromise, which a significant number of Hungarians considered to have been a sellout.

Such emotions can hardly be attached to the person of Horthy. Any ideal that is valued in today's Hungary and Europe was alien to him. He rejected the notions of democracy and liberalism. In addition, he fell victim to the mistaken belief that the West would see an attack on the Soviet Union as a forgivable sin, that an anti-Bolshevik struggle would be considered praiseworthy at the end of the war in London and Washington. True, later both Churchill and Stalin acknowledged that in the autumn of 1944 Horthy was trying to become a nonbeligerent, and that is why they did not classify him as a war criminal. However, I still feel that it would be a great mistake to make a social, or even national holiday out of repatriating Horthy, because it would imply that today's Hungary is the inheritor of the spirit that was embodied by the Horthy system. Such a funeral would probably exert a divisive influence on the nation.

[Hovanyec] Our neighbors would not be very happy about it, either.

[Sipos] Especially in view of the fact that Horthy pursued irredentist, territory-acquisitive policies against the neighboring states. Any retroactive justification of such a policy would be a serious burden for our relationship with other countries in the region. But, to return to the earlier passages, it would also evoke negative feelings in the West.

Of course, it would also be incorrect to repatriate Horthy's ashes quietly, to sort of smuggle them back into the country. We should arrange a decent funeral, ensuring that the act befit a genuinely democratic and humane Hungary.

## POLAND

### POLITYKA Weekly News Roundup: 20-26 Jan

91EP0294A Warsaw *POLITYKA* in Polish No 4, 26 Jan 91 p 2

[Excerpts]

#### National News

Minister Krzysztof Skubiszewski's [made a] declaration in conjunction with the outbreak of war in the Near East. The minister recalled that immediately after Iraq's invasion of Kuwait, the government of the Republic of Poland condemned the act of aggression and the violation of international law and that Poland had complied with the resolutions of the Security Council on the crisis in the Persian Gulf. "The Republic of Poland expects that the military action will be brief. We are convinced that in the course of the action international law will be observed and in particular that the civilian populations of Iraq and of the other states of the Near East will benefit from the protections appropriate to them."

Sonda, a private opinion research office, conducted a survey of the residents of 57 cities concerning recent events. In response to a question about how the Polish government should react to the USSR in light of the invasion of Lithuania by Soviet forces: 42 percent said limit itself to vigorous protests; 20 percent said reduce relations; 11 percent said suspend relations. In response to a question about their attitude to the war in the Persian Gulf: 49 percent said I support the Americans; 2 percent, I support the Iraqis; 38 percent, I am against this war.

A similar survey was conducted for RZECZPOSPOLITA by Demoskop. In response to the question whether Poland should recognize Lithuania's independence even at the cost of worsening relations with USSR: 60 percent said yes; 23 percent no, if it would worsen relations; 5 percent said, simply, not to recognize Lithuania's independence. [passage omitted]

The Federation of Miners' Trade Unions has suspended its membership in the OPZZ and ceased paying dues. The motive: the OPZZ and its chairman A. Miodowicz pay too much attention to politics and too little to the interests of the working people. R. Moric, the chairman of the federation, declared that it will return to the OPZZ if Miodowicz resigns. The presidium of the OPZZ gave A. Miodowicz a vote of confidence.

Roman Bartoszcze remains the president of the Polish Peasant Party [PSL]. He himself asked for a vote of confidence for the National Executive Committee and

for himself. Of the members of the Main Council, 56 voted for him, one voted against, and 11 abstained.

Vitaliy Churkin, the spokesman for the Soviet Ministry of Foreign Affairs, announced that the government of the USSR had demanded Polish authorities take actions to prevent violations of the extraterritorial status and safety of Soviet posts in Poland. "In recent days during the demonstration in front of the Soviet Embassy in Warsaw, attempts were made to enter it. Aggressive actions were also taken against the Soviet consulates in Krakow, Gdansk, Szczecin, and Poznan. The Polish authorities did not take sufficiently effective action to end these threatening actions."

After a year of disputes and conflicts, a decision has been made on the fate of Igloopol. As a result of talks between the liquidator and the president of the Igloopol partnership, it has been decided that the partnership will cease operations, transfer its entire assets and its employees to the Igloopol enterprise, and the latter will renew its operations.

The Sejm Commission has adopted the budget of the Office of the Council of Ministers without amendments. Expenses: 330 billion zlotys [Z], 16 percent more than in 1990. They include Z18 billion for wages for 740 employees, and Z40 billion for the restoration of the Namiestnikowski Palace in Warsaw. The Church Fund will increase by 140 percent over 1990, including Z21.5 billion for the social insurance for clerics. (The fund was formed in 1950 after the state expropriated church lands.)

The Constitutional Tribunal has recognized that the decree of the minister of health of 20 April 1990 permitting doctors to refuse to issue a decision to permit abortions and to refuse to perform the operation neither conflicts with the constitution nor violates the law of 1956 permitting abortions. Prof. Ewa Letowska, ombudsman for citizens rights, questioned the decree. [passage omitted]

A letter on religious instruction in state schools and the law to protect a conceived child was signed by 55 intellectuals. The signatories asked that "every effort be made to prevent legal measures allowing dictates based on the domination of one worldview and system of belief." Among the signatories are Andrzej Garlicki, Teresa Pagowska, Maria Janion, Henryk Tomaszewski, Stefan Morawski, and Zofia Nasierowska. [passage omitted]

As a result of a protest by L. Walesa's campaign staff, the lawyers for three deputies of the Citizens Movement—Democratic Action [ROAD] paid 20 million zlotys for sending out 30,000 letters to voters urging them to vote for T. Mazowiecki to the deputy and senate office in accord with a decision of the State Election Commission. The Commission decided such action can be conducted only with one's own funds. The deputies were Jozefa Hennelowa, Jan Rokita, and Jerzy Zdrada, all from the Krakow region.

The issue of assigning chaplains to ships is arousing emotions among the crews. On the Gryf Pomorski 33 members supported it and 77 opposed it. On the Helniak, two supported it and 19 opposed it. On the Pomorze, 15 supported it and 25 opposed it, while 14 had no opinion. TRYBUNA.

Maciej Ilowiecki, president of the Association of Polish Journalists and editor in chief of SPOTKANIA, told Halina Retkowska of EXPRESS WIECZORNY why he has not participated in the television program with J. Urban: "I can discuss things with every respectable journalist who is a political opponent. But I will not talk to a scoundrel. And for me, Urban is a scoundrel. I do not want the viewers to think that because the Association of Polish Journalists talks to him it in some way supports Urban."

**Who's Who.** Wladyslaw Baka, president of the National Bank of Poland, has submitted his resignation to the president. The president has nominated Grzegorz Wojtowicz (age 43) to replace him. Jacek Snopkiewicz, head of the television news program WIADOMOSCI, after resigning from that position has been named editor in chief of KURIER POLSKI by the presidium of the Central Committee of the Democratic Party [SD]. Radoslaw Ostrowicz, the longtime editor of KURIER POLSKI, has been removed. The prime minister has named two undersecretaries of state on a recommendation by the minister of culture and fine arts: Andrzej Rottermund (age 50), an art historian and museum specialist, and Agnieszka Morawinska, art historian and critic. (She has written for POLITYKA, and we hope she will continue to do so.) A. Rottermund is first deputy to the minister. These functions were taken from Michal Jagiello. Lech Dymarski (age 42), writer, journalist, and a Solidarity activist interned in December 1981, has been named head of the television news program WIADOMOSCI. GAZETA WYBORCZA reports that, of the 180 phone calls to the section in charge of relations with viewers received after the announcement of the resignation of the supervisors of WIADOMOSCI, 77 concerned WIADOMOSCI and 73 of these expressed regret at the departure of Aleksandra Jakubowska. [passage omitted]

### Opinions

*Jerzy Hopfer, Sejm deputy of the Christian Social Union (UCHS):*

(ZIEMIA GORZOWSKA 3 January 1991)

"In order to exist outside of my own religious community I joined the Union. Today I am the only Lutheran in parliament. That is of deep significance for me and for those of my faith. I have a chance to show more broadly the views and values of this community, and I also constitute in some degree proof of the existence of tolerance in Poland. I would like to believe that that will continue to be the case although some Catholic nationalist groups and slogans are disturbing."

*Juliusz Jan Braun, Sejm deputy:*

(From comments for SLOWO LUDU 9 January 1991)

"It was not an opportunistic speech. The Democratic Union Parliamentary Club [KPUD] has not declared itself to be in opposition. Nor is it a demonstration against the new government since the majority of us voted for the nomination of Prime Minister Bielecki. I think that within the Citizens Parliamentary Club there were many causes that contributed to this break, e.g., the domination of the Center Accord or even the Christian National Union [ZChN]. These groups are certainly not large but they yell a lot and make a lot of noise, although this yelling and noise should not be confused with actual influence. However, this minority has been able to 'drown out' a number of individuals. Even if it is only a question of manners, everyone does not have to agree with them."

*Piotr Ikonowicz, an activist for the Polish Socialist Party [PPS], editor in chief of ROBOTNIK:*

(ROBOTNIK No 1, 1991)

"I will give each one a piece of Poland as his private property," Walesa promised during the campaign. Will each receive a piece of paper with the phrase, 'This is your one 40-millionth part'? Or perhaps we will mark out 40 million garden parcels? By what right can anyone, even a democratically elected president, give Poland away?

"And the most important question is who will really get which piece? To be sure, people are being given a little stock in order to pull the wool over their eyes while an enterprising businessman from the Center Accord or Citizens Movement—Democratic Action [ROAD], and the nomenklatura partnerships steal state property. Even the little stock that Walesa gives out will be bought by better people for low prices from poor suckers who do not have enough to make it to the first. And when all this has happened, the stockholders supervisory councils will meet and begin to fire employees. The government will announce that as part of the free market it will not interfere in relations between private owners and employees or if someone resists it will send the police to force respect for the law...ownership."

### POLITYKA Weekly News Roundup: 27 Jan-2 Feb

91EP0295A Warsaw POLITYKA in Polish No 5, 2 Feb 91 p 2

[Excerpts]

### National News

Prime Minister Jan Krzysztof Bielecki at his first press conference said the guiding principle of the government's activities in domestic politics is state participation in the building of a market economy. "The state cannot," he said, "watch passively as the violent forces of the market regulate the adaptive processes of the enterprises."



The Sejm sent the proposal for a law on abortion to a extraordinary commission. It also decided to submit the senate proposal to society for consultation, which is to consist of the submission of written recommendations and opinions on the subject to the Sejm of the Republic of Poland. The consultation is to continue from 15 February 1991 to 31 March. [passage omitted]

Citizens Movement—Democratic Action [ROAD] at its first congress supported independence, its own charter, program, and officers, but in the future, it supported union with the Democratic Union directed by Tadeusz Mazowiecki. It also supported the idea of early parliamentary elections. Wladyslaw Frasyuniuk was elected chairman of ROAD. [passage omitted]

The decided majority of respondents called for conducting elections to the Sejm soon: 60 percent think the elections should be held during the first half of 1991; 37 percent, before the end of April. Supporters of a later date number barely 10 percent. [passage omitted]

Father Henryk Jankowski met with Yuriy Kashlev, the Soviet ambassador. They discussed issues associated with transforming Katyn into a monument to the common tragic fates and a symbol of forgiveness and reconciliation among peoples in the name of Christian teachings and morality. In the name of President M. Gorbachev, J. Kashlev thanked Father H. Jankowski for the initiative announced by the Gdansk chaplain in the name of the Katyn Family.

TRYBUNA discussed the costs of privatizing the five enterprises. In all, privatization cost \$6.699 million, or 13.39 percent of the value of the privatized enterprises. For preparing the privatization of the Tonsil, the firm of Samuel Montag took \$657,000; the financial analysis of the enterprise done by Ernst and Young cost \$126,000. The firm of Amhurst Brown received \$174,000 for legal services for Tonsil and Krosno. The costs of the advertising and announcements, done by French firms, was \$100 million.

The Main Board of the Association of Polish Lawyers adopted a resolution protesting against the law on the legal protection of unborn children and the portions of the proposed criminal code on the responsibility for procuring an abortion in their current form. During the discussion at the fourth plenary meeting of the Main Board with the presidents of the voivodship boards and invited guests, both the presenter and all the participants in the discussion commented very critically on both proposed laws. "They particularly drew attention," we read in the resolution, "to the fact that the object of both laws belongs in principle to the moral and ethical sphere, and, thus, it should not be subject to such far-reaching legal regulation without previously submitting the fundamental premises of these regulations to social judgment through a referendum." In unanimously adopting the above mentioned resolution, the officers of the Association of Polish Lawyers suggest in reviewing the legislative regulations "measures adopted by our

Western neighbors" and "the proposal for the criminal code from 1930 developed by the most outstanding specialists in criminal law of the time" be taken into account. (PRAWO I ZYCIE, 27 Jan 91 published the text of the resolution.)

Rents in municipal, factory, and private apartments will double beginning 1 March 1991. The lowest rate for 1 m2 will be 420 zlotys [Z]; the highest, for a better equipped apartment, Z1,320 zlotys. Beginning 1 February 1991, charges for central heating and hot water will increase 100 percent. The next increase for rents is expected during the summer. Beginning 1 February, domestic letters, packages, and telephone service will cost more. An intercity letter will cost Z1,000 (until now Z700). The monthly fee for telephone service will increase to Z8,000 from Z3,000; one telephone impulse (in many cities that is equivalent to one local call) will increase to Z300 from Z150.

In SLOWO POWSZECHNE, Zbigniew Sroczyński has proposed that the president return ownership of rural real estate (manors, family homes, etc.) to the owners from whom the property was taken as part of the land reform by decree. This real estate should be transferred without charge in the condition it is. The author proposes that thanks be given to the president "by giving him the title of Honorary President of the Club of Owners of Polish Manors."

The Goethe Institute has begun operations in Warsaw (18 Swietokrzyska Street). At the opening of the facility, Dr. G. Knackstedt, the German ambassador, said that the opening of the Institute is "a contribution to healing through the power of culture the wounds caused by the division of Europe into East and West over the last several decades."

We have received a communique from the Information and Propaganda Office of the Confederation for an Independent Poland [KPN] that Leszek Moczulski, the chairman of the Confederation, has begun a visit to Taiwan, where he represents the Confederation for an Independent Poland at the congress of the World League for Freedom and Democracy. Among the members of the League, the communique says, are "the Ukrainian Anti-Bolshevik Block of Nations and American, Korean, and Vietnamese organizations." The league, it says further on, "actively participates in the organization of aid for the rebels in Afghanistan and the for the Contras in Nicaragua."

The press has published a letter from George Bush to Lech Walesa, a response to the Polish president's letter dated 8 January 1991, in which the latter expressed support for the joint policy in the Persian Gulf and a letter dated 11 January 1991 concerning the reduction of Poland's debt. Bush assured Walesa that the United States "will double its efforts" to achieve "a significant reduction" in Poland's debt and expressed admiration for Walesa and his "determined leadership in his country." [passage omitted]

Bronislaw Geremek has been elected chairman of the Democratic Union Parliamentary Club [KPUD] (39 votes for, one abstention, none against).

Poles oppose prohibitions is the conclusion of an article in *ZYCIE WARSZAWY* discussing the results of a sociological study "Poles '90." In response to a question whether the respondent was "for" or "against" religious instruction in schools 57.7 percent were "for," 35.3, "against." Of the respondents, 55.6 percent were against prohibiting abortions; 29.6 percent were "for"; 68 percent rejected the idea of punishing doctors with imprisonment for performing an abortion; 20 percent would allow such a punishment; 69.5 percent were decidedly opposed to such a prohibition; 20.9 percent were for it; 69.3 percent opposed prohibiting divorces; only 19.1 percent were "for."

*TYGODNIK POWSZECHNY* has published the most recent statistical data on the clergy (as of 20 October 1990). Clerical callings have increased: there were 6,714 seminarians in 1981; 8,554 in 1990 (the highest level was 9,038 in 1987). The number of clergy in 1981 was 20,676; in 1990 it increased to 25,225.

*GAZETA WYBORCZA* has calculated "who says how much in the Senate." From the beginning of this term in office until the end of 1990, Roman Ciesielski has spoken most frequently at sessions of the Senate, 131 times. Following him are Tadeusz Zielinski, 110 times; Walerian Piotrowski, 101; and Andrzej Rozmarynowicz, 100 times. The following senators have never spoken: Stanislaw Chrobak, Bogdan Lis, and Andrzej Szczepkowski. The following have spoken once at plenary sessions: Gustaw Holoubek and Stanislaw Stomma.

**Who's Who.** Prelate Slawoj Leszek Glodz (age 45) has been named bishop ordinary with his titular seat in Betton. Since 1981 he has worked in the Congregation for Eastern Church Affairs at the Vatican. Jerzy Chmielewski (age 42), an academic teacher, a translator of Croatian and Serbian prose, deputy chairman of the Solidarity University Committee at Warsaw University, has been named ambassador for the Republic of Poland to Yugoslavia. He replaces Tadeusz Porebski, removed 10 months ago. Jacek Janczarski (age 45), writer, author of the once popular television program "Panie Sulku" has been named editor in chief of *SPILKI* at the recommendation of the editorial staff. Anthony Doran, head of the mission of the International Finance Corporation in Poland has taken a position as an advisor to the prime minister. [passage omitted]

**POLITYKA Weekly News Roundup: 3-9 Feb**  
91EP0296A Warsaw *POLITYKA* in Polish No 6,  
9 Feb 91 p 2

[Excerpts]

#### National News

The Constitutional Tribunal decided that the instruction of the minister of national education introducing religious instruction is consistent with the constitution and other laws. [passage omitted]

During a conversation with radio listeners, President Lech Walesa was critical of the tax on excessive wage increases. He proposed: "Why should we increase wages? Let's do it differently. Let's reduce everything we buy by 50 percent or even by 100 percent.... Reduce everything we buy from bread and salt to cars and combines. That is a way for the earnings to stay the same and for us to live two or three times better." Alfred Miodowicz, head of the OPZZ [All-Polish Trade Unions Agreement], reacted positively to L. Walesa's proposal: "In my opinion every Polish family is waiting for such a solution."

At a press conference, Michal Boni, minister of labor and social policy, said that the tax on excessive wage increases, against which the workers are protesting, "is for now an essential instrument, otherwise we would have tremendous inflation." The minister warned that it will probably not be possible to meet all of the promises from 1990 for retirees and pensioners, since there will not be enough funds for the announced revaluations.

*ZYCIE WARSZAWY* reports, drawing on reliable sources, that during the first half of February talks on the withdrawal of Soviet forces from Poland and transit from German are to be renewed. The Polish side has proposed that the withdrawal begin by 31 December 1991; the Soviet side, however, has so far not accepted this date. The Polish side is not demanding that the Soviet forces withdraw from Poland prior to the beginning of the transit of forces from Germany, but it does not agree that the withdrawal begin only after the completion of the transit.

The January survey by the Public Opinion Research Center shows an increase in social approval for the institutions of public life, whose ratings had fallen recently. The positive ratings for the police increased by 16 percent; for the Senate by 12 percent; for the military by 9 percent; for the Sejm by 9 percent; and for Solidarity by 8 percent. The so-called net approval, or the difference between the positive and negative ratings, puts the military with 60 percent in first place; second is the church with 56 percent (for the first time, it is not in first place); third is the ombudsman for citizens rights. The others in order are television, the Sejm, the police, the Senate, Solidarity, the government with 30 percent, and, finally, the OPZZ with a net negative rating of 9 percent.

Fees for radio and television will increase. In the second quarter beginning 1 April 1991, the fees will be 48,000 zlotys [Z] for the quarter; and beginning 1 July 1991, they will be increased every two months by Z40,000, so that the fees will be Z20,000 a month instead of Z16,000 zloty a month as in the second quarter. [as published]

Prime Minister J.K. Bielecki has rescinded the decree of T. Mazowiecki, prohibiting ministers from participating in partnerships. Simultaneously, the ministers were required to submit declarations of the assets at the beginning and end of their terms in office.

The Central Office of Statistics has announced that in 1990 prices tripled (a monthly average of 11 percent compared with 18 percent in 1989). Wages lost nearly one-third of their real value (28.1 percent). The domestic product fell by 12 percent, and industrial production fell by 23.3 percent. The private sector increased its share of industrial production to 13.4 percent in 1990 from 7.4 percent in 1989. The Soviet Union is no longer Poland's main trading partner; the FRG has taken its place (one quarter of exports and one fifth of imports).

Admiral Piotr Kolodziejczyk has announced the shortening of basic military service to 12 months from 18 months. The Ministry of National Defense is sending 10,000 volunteers from this year's spring conscription to serve in the police or border guard. Conscripts in the A-1 category with at least a vocational education who pass a series of tests and the three-month preparatory course will be able to do their service in the police.

In the second quarter of 1991, there were 20 percent fewer letters to senators. The Ministry of Health is not financially able to maintain the existing sanatoriums and health resorts. After 30 June 1991, it is planning to close nearly 130. A proposal for partial payment for stays in sanatoriums (for example, 20 percent, chiefly for hotel services) is being considered by the ministry.

There are 400 journalists, including 328 released from work by the Prasa-Ksiazka-Ruch Workers' Publishing Cooperative, seeking work. Meanwhile in January, only 11 offers were available for them, and they had an age limit of no more than 35-40.

What kind of president will Lech Walesa be? In a survey done by the Public Opinion Research Center, the answers were as follows: 7 percent, very good; 35 percent, good; 39 percent, average; 4 percent, bad. A quarter of the respondents had no opinion. Among the positive characteristics of the president they listed: leadership ability, force of character, clever and shrewd, foresight and imagination, stubborn and unyielding, good advisors and a clear program. Among the critical opinions were: shortsighted, lacks imagination, naive and gullible, bad advisors, and no program.

The Association of the Families of Katyn Victims has protested against the construction of a monument in Katyn "as a monument to the common tragic fates and a symbol of forgiveness and reconciliation." The initiative was proposed by Father Henryk Jankowski from Gdansk. The Katyn Families consider the initiative "premature."

The factory in Zeran introduced rebates on sales of the FSO and Polonez vehicles in February 1991. The rebates vary from Z2.5 to Z7 million. Prices for agricultural

tractors, however, have increased by 15 percent. For example, the C-330m will cost Z47.4 million (previously, Z41.2 million); the U-912, Z93.7 million (previously Z81.5 million). [passage omitted]

Interest rates on refinancing loans for other banks from the central bank have increased to 72 percent. That will increase interest rates on loans for private individuals and enterprises.

Prime Minister J.K. Bielecki in an interview for GAZETA WYBORCZA (28 January 1991) in response to a question about what the government can offer those who believed there would be no unemployment, no Balcerowicz, etc., said that the journalist for GAZETA WYBORCZA simply does not like Poles, that he is angry with them, that he thinks they are dumb. On 31 January 1991, Adam Michnik, the editor in chief of GAZETA WYBORCZA, responded to these and other charges: "Where did you read such opinions in our paper? Please show me the places, the articles, the quotations. If you should have trouble finding them—which I anticipate—I demand a public apology, for we have been publicly insulted. I do not believe that Prime Minister Bielecki can show that he likes Poles more than the journalists of GAZETA WYBORCZA."

The Gdansk Strike, is a novel idea on the protest market: at the Gdansk Shipyards, the shipyard workers were working, but the employees of the partnerships who work on the shipyard grounds were not allowed into the shipyard. They earn more, and the partnerships are buying workers. [passage omitted]

In Krakow, Tadeusz Mazowiecki, the leader of the Democratic Union [UD], said: "Poland has already become an independent state; it should become a normal country." The Union supports a proportional-majority electoral law. It should not become engaged in anticlerical moods; nevertheless, relations with the church must be entirely sovereign. In response to a question about the presidential council, he said that he sees no sense in participating in it.

How much are the public figures earning? GAZETA WYBORCZA: the president earned Z8.6 million (basic salary with official supplements), a minister of state, Z5.45 million; press spokesperson, Z4.2 million; the prime minister, Z6.76 million, a deputy prime minister, Z5.456 million; a minister, Z4.96 million.

**Who's Who.** The prime minister has named Jacek Saryusz-Wolski (age 42) the government plenipotentiary for European integration and foreign aid. He studied economics and sociology and pursued postgraduate study in France. He holds a doctorate in economics. [passage omitted]

#### Opinions

[passage omitted]

*Janusz Onyszkiewicz, deputy minister of national defense, on the withdrawal of Soviet forces from Poland:*

(Interviewed by Leslaw Maleszka, GAZETA KRAKOWSKA 21 January 1991)

[Question] How can you explain the impasse that has recently appeared in the negotiations with the USSR?

[Answer] Personally, I assume that it is tied to the dismissal of Eduard Shevardnadze. First, no new cabinet has as yet crystallized in Moscow. Second, Aleksander Bessmertnykh, the new minister of foreign affairs, is in a much weaker position than his predecessor, especially in relation to the Russian generals whose role has been strengthened.

[passage omitted]

*Jan Krzysztof Bielecki, prime minister:*

(From an interview for GAZETA GDANSKA 22 January 1991)

[Question] Is such a number of Gdansk residents in the government only fortuitous?

[Answer] No, because Gdansk is not an average place on the map of Poland. The Gdansk phenomenon lies in the fact that, among other things, the people from Gdansk have a highly developed sense of the mission of public action, which is a result, at the very least, of the last 20 years of history. On the other hand, they did not have the ability of self-promotion. Along with their organizational gift, they always neglected political marketing, and many outstanding individuals were not widely known; television and the press showed them less frequently. Thus, the surprise at the advancement of people from the "provinces."

## YUGOSLAVIA

### Expansion of Knin 'Scenario' in Croatia Viewed

91BA0372A Zagreb VJESNIK in Serbo-Croatian  
19 Feb 91 p 10

[Article by Aleksandar Milosevic and Krunoslava Banic of Vinkovci, Josip Krekovic of Virovitica, Franjo Vondracek of Slavenska Pozega, Trajko Grkovski of Gracac, and Slavko Zupan of Obrovac: "The Fuses of Unrest From Slavonija to Krajina"]

[Text] The dramatic events that began last summer in Knin and the surrounding area have spread like a political conflagration to almost all parts of Croatia where a Serbian population lives. The scriptwriters for the creation of chaos and a state of emergency are using the same strategy—mobilizing the Serbian population, which is allegedly threatened by the establishment of the new government in Croatia. It is characteristic that it is primarily the rural population that is being drawn into the disorders, in those opstinas and districts in Croatia where Serbs constitute a majority of the inhabitants. The

large urban areas where Serbs actually have a larger presence in absolute numbers than in rural areas are remaining on the sidelines, because it is clear to the scriptwriters of chaos that a propaganda war in urban areas cannot fall upon fertile soil.

The creators of those dramatic events, furthermore, are not taking into account the fact that the Serbs in the areas caught up in those events are dangerously exposed to long-term political, social, and social-welfare isolation, which, if continued, may do the most damage precisely to those inhabitants of the Republic of Croatia. The similarity of the scenarios being used from place to place, as well as the very circles in which the unrest is occurring, clearly indicate the scriptwriters' intentions of politically exhausting Croatia, and forcing it, by creating incidents and crisis centers, to make political concessions that would lead in the end to a redesigning of Yugoslavia in which one republic and one political idea would have unquestioned predominance.

### Despite Economic Logic

The demand for the secession of 11 villages in the Vinkovci opstina and their annexation to the neighboring Vukovar opstina was signed by the "initiative committee of Serbian local communities on the territory of the Vinkovci opstina." The Vinkovci area has thus been drawn as well into the events that have been occurring for the last few months in Slavonija, Baranja, and other parts of Croatia. According to the already well-established recipe, the demand for the secession of 11 villages from the Vinkovci opstina and their annexation to the Vukovar opstina is justified by alleged economic and developmental reasons. Even a fleeting glance at the signature on that demand, however, as well as at where the villages are located, will faithfully portray the political sore points in Slavonija. The real nature of the demand and the referendum on secession from the Vinkovci opstina can be explained, using the Mirkovci village as an example. It is actually a suburb of Vinkovci, separated from the city by only a railroad track. The Mirkovci village is more than 20 kilometers away from Vukovar, and it is necessary to reach the new opstina center by a road that goes through Vinkovci. The claims that economic reasons are the fundamental reason for annexation to the Vukovar opstina are also unfounded, because it is well known that Vukovar's economy is in a state of collapse. The Borovo factory, with 22,000 employees, is virtually facing bankruptcy, and the other enterprises are not doing much better. The real reasons can be found in explanations like "The time has come for us to part." The annexation of 11 villages to the Vukovar opstina is a sort of preparation for preventing the creation of a district [zupanija], and Vukovar was supposed to be made into a strong opstina, with Serbs a definite majority of the population. The next step probably relies on the fact that the border with Serbia is close, and in accordance with the slogan that "Slavonija has always been Serbian," it is not difficult to imagine the further sequence of events. The authors and executors of the referendum on annexing the 11 villages inhabited by a

predominantly Serbian population to the Vukovar opstina are simply not taking into account the lack of constitutional and legal grounds for their move, but instead, as they have done many times in the past, want to use the system of presenting the authorities with a fait accompli to force concessions and achieve primarily political plans.

Even if the current political problems in Yugoslavia were solved, Slavonija and this part of Croatia would still remain preoccupied with serious problems for a long time. The ethnically mixed population, seriously divided by political, ethnic, and ideological confrontations, is now too burdened with politics to be able, at the same time, to achieve a formula for inevitable coexistence. In addition to all this, Slavonians are becoming increasingly poorer, the economic crisis takes its tribute every day, and they are probably not far from the boundary line when "empty stomachs will overpower the singing of those who are ethnically endangered." When one adds to this the increasingly more emphasized so-called geopolitical position of Slavonija, then it is clear that a resolution of the overall situation in this area will be one of the necessary conditions for the stability of Croatia as a whole.

#### **In the Shadow of the JNA [Yugoslav People's Army]**

The army has become part of everyday life in Virovitica. Even to someone who does not know anything at all about arrests and interrogations in the Virovitica barracks and outside them, if such exist at all, the picture of the town will tell it all. Grayish-olive vehicles with variously uniformed crews circle around Virovitica so often and already for so long that it is clear even to children what is going on. No one can or dares to predict how much longer Virovitica and its residents will be the setting for real and media thrillers. Judging by what rumbled through the town after the military authorities' interrogations of Zeljko Nemet, a member of the opstina assembly and a member of the reserve forces of the Ministry of Internal Affairs, it could all go on longer than people want. The story is circulating among the public of the existence of an alleged list with the full names of about 400 people who are supposed to undergo similar interrogations. That list allegedly includes all those who were near the Virovitica barracks on the critical nights toward the end of January and formed a sort of human circle that was supposed to prevent the army from coming into the streets.

Events in Virovitica are changing so rapidly that even starting this Monday, the questions being raised in connection with Nemet are being replaced by new ones. The police are expected to announce what happened to Ivo Balani, who suddenly disappeared from the town and his family home in nearby Suhopolje. In circumstances that are only partly known, Balani evaded interrogation by the military authorities, which was supposed to be done toward the end of January, and since then has been constantly accompanied by an escort. As he asserted himself, the townsmen who formed that escort

or protection were supposed to prevent his sudden arrest, for which he did not see any reason. An intensive search is being conducted for Balani, and the military authorities and members of the Croatian Ministry of Internal Affairs are cooperating in that search.

Virovitica, oppressed by such events, has not yet heard the voice that it was and is awaiting. It is no longer so much a question of the silence of the JNA, a hiatus which surely had a beneficial effect, as much as a question of the silence of the more prominent Virovitica Serbs who received several appeals to use their words and public activity to diminish at least a little the anxiety of Virovitica's population. Of the more well-known Serbs, the only one who has spoken out in public to date is Rade Badza, speaking as the chairman of the local SDP opstina committee from the studio of the local radio station. Answering a question about whether he, as a Serb and a person, was threatened in Virovitica, Badza answered in the affirmative, and as his first evidence stated that the branch of the Dunav insurance community, where he worked as a director, had been abandoned en masse by customers of Croatian nationality. Naturally, it is difficult to explain how this proves that Badza is threatened as a Serb, but he also stated that he received telephoned threats every day. He considered it necessary to explain the nationality of those sending the threatening messages, because when primitivism is involved, nothing really matters.

#### **District Against Autonomy**

The scenario prepared in the Vinkovci opstina is also being repeated in the Slavonska Pozega opstina. Several villages have demanded annexation to the Pakrac opstina. Similar demands were also sent by several villages in the Nova Gradiska and Novljan opstinas. In that way the Pakrac opstina, in which Serbs constitute about 38 percent of the population, would gain an absolute majority. In that event, the adoption of any sort of allegedly "formal request for annexation" of this Slavonian opstina to the so-called Serbian autonomous region of Krajina would be a mere formality.

The Pakrac crisis can be resolved by establishing a Slavonska Pozega district. That is the opinion of graduate engineer Ante Bagaric, president of the executive council of the Slavonska Pozega opstina assembly. All the Croatian parties in the opstina, and most of the population, agree with this. That is the only coherent way of preventing the creation of a new "Serbian autonomy," in the achievement of which no means would be spared. The president of Slavonska Pozega's opstina government rejects the explanation of the Serbian Democratic Party [SDS] that the local communities in the Slavonska Pozega opstina where a "referendum" was conducted, Kamenska, Kamenski Vucjak, Mijaci, Strezevica, and Sazije, and the local communities of Rasna and Koprivica, where the "referendum" was unsuccessful, were in the Pakrac opstina until the end of the war. He says that it is true that the villages were in the Pakrac opstina, but that it is also true that they were in



the Pozega district, and that, moreover, was from 1210 to 1923. The leaders of the SDS in Slavonska Pozega refused to talk about the referendum and its results, because the SDS regional committee forbade the leaders of its party from communicating with the public. The HDZ [Croatian Democratic Community] opstina committee in Slavonska Pozega emphasizes that the SDS organization there, virtually since its founding, has rejected any sort of cooperation and joint statements with other parties in the opstina. They also emphasize that the referendum was illegal, because no one in the opstina knew about it, least of all the opstina assembly, which was responsible for conducting a referendum. The final decision on the municipal arrangements in the republic will be made by the Assembly, and so people in Slavonska Pozega are not too worried about the "referendum" and its results. Unfortunately, there are ethnic provocations every day in this area, from the barricades that were on the border with the Nova Gradiska opstina, through the barricades in the Kamenska opstina, to the donning of Cetnik uniforms or the threats to the safety of the chief of the police station. Things are particularly critical in the western and eastern parts of the opstina, where there are settlements with an almost exclusively Serbian population.

Although the residents of the Slavonska Pozega opstina are almost 75 percent Croats, 13.4 percent Serbs, and the rest are members of other peoples and nationalities, a 1:1 ratio has been observed in leading positions—the opstina assembly, the executive council, the judicial system, and the administration—so far in the opstina between officials of Croatian and Serbian nationality. The police were 70 percent Serbs, while through new hiring and retirement that ratio has now been reversed, although it is still not in proportion to the structure of the population. It should be noted that of the four police chiefs who are not longer in their positions after the elections, four are Croats and one is a Serb.

#### Croats Seek an Opstina

The somber political and economic situation in Gracac has grown even worse in recent days. Everyday politics has completely divided the Croatian and Serbian population in that opstina. It has also grown worse because of the dispute between the largest local communities, Lovinac, Sveti Rok, and Ricice, with the largest Croatian population, and the opstina assembly. According to the latest information, natural resources such as forests and water are being divided up, and there is also a dispute over taxes and milk. Everything began back on 29 June 1990, after the adoption of a decision on annexing Gracac to the Knin community of opstinas. After that decision, three local communities, Lovinac, Sveti Rok, and Ricice, in which Croats live, suspended relations with the opstina assembly. According to Jasminka Mandic, president of the Gracac opstina assembly, the divisions are still continuing, because nine committee members from those local communities have boycotted the assembly's work, and only attended meetings twice in the beginning. Also continuing is the dispute between the

Gracac forestry office and the Sveti Rok local community, which has established its own forestry office and attached it to the Gospic one. The residents of Lovinac have not paid taxes and other obligations this year, and emphasize that in an opstina that is a satellite of Knin complete anarchy reigns, along with some laws of the so-called Krajina. The population in towns inhabited primarily by Croats is subjected to daily intimidation. Barricades appear around those villages, fear is intensified by gunfire, and stories about the alleged threat to Serbs, they say in Lovinac, have undeservedly subjected them to public disgrace. People ask in Lovinac who protects the Croats here, and who is even threatened by such a policy, and they say that they will demand the formation of their own opstina, which one existed, the formation of their own police station, and other government organs. People in the Sveti Rok local community emphasize that for year the Gracac forestry office, through uncontrolled and excessive harvesting, had exploited that part of Velebit, but now demands are coming from Gracac that the forestry office be separated from the Croatian Forests public enterprise and attached to some sort of forestry office in Knin.

Who is actually threatened in the Gracac opstina is indicated by the fact that the Serbs are almost 80 percent of its population, and after the multiparty elections there are almost no Croats in government bodies or in the key positions in the economy. The fact that the steps being taken by the opstina leadership are deprived of any logic is also confirmed by the announcement that the Ploce local community will be annexed to Gracac, and the same thing will happen to the elementary school in that local community. What lies behind that announcement is completely unclear, because Ploce is already officially part of the Gracac opstina.

#### Who Is Threatened

The contents of Belgrade's EKSPRES POLITIKA and similar newspapers can hardly be "digested," even by the most cold-blooded and most well-intentioned readers. It would be a complete waste of time to react on every occasion to those heaps of lies, but it is worth while to refer briefly to the articles about the allegedly more frequent arrests and trials that are allegedly being conducted against Serbs in the Obrovac opstina. The fact is that recently two residents of the Obrovac opstina who were of Serbian nationality were arrested, one in January, and the other about 10 days ago. The Belgrade newspapers, however, do not say that those two shot at police during the unrest last year were of Serbian nationality. They also do not say that one of those policemen was the newly appointed chief of the Obrovac police, who was appointed by the leaders of the so-called Knin SUP [Secretariat for Internal Affairs] because of his pronounced anti-Croatian position.

Are the claims about the alleged threat to Serbs in Obrovac and this part of Croatia justified? In the northern Dalmatian opstinas, especially in Bukovica, everyone is threatened by poverty, regardless of his

national or ideological orientation. It is unclear, however, why people are writing and talking about that backwardness and danger only now after the multiparty elections, because those areas were equally undeveloped earlier. The position of Croats in this part of the republic is also indicated by the fact that although Croats are about 40 percent of the population in the Obrovac opstina, there are only two directors of Croatian nationality in the opstina's economic life. In political life, there are actually no Croats, because not one member of the executive council is of Croatian nationality. There are no Croats on the committee benches, or in the ranks of the police. The same is true in the Benkovac opstina, and things are no better in Knin. The leaders of the SDS emphasize the alleged cultural endangerment of the Serbian population, but they ignore the fact that half of the population in the Bukovica elementary school consists of Croats, and that children of Serbian and Croatian nationality only learn the Latin alphabet in third grade. In all of Bukovica, there is not one director of a school or cultural institution who is of Croatian nationality. There really is no basis for speaking of an alleged threat to Serbs, but by persistently repeating falsehoods and creating incidents that are actually not incidents, they are trying to exhaust the political essence of Croatia and push through ideas about the need to create a Greater Serbia.

#### Failed Attempts

Although the SDS delegates have tried on three occasions to push through a decision on annexing Hrvatska Kostajnica to Knin, i.e., to the so-called Serbian autonomous province of Krajina, such a decision has not been adopted. On each occasion, the SDS delegates have announced that they would get it passed through pressures and the organization of "support rallies," but thanks to the resolute attitude of the opstina leadership, they have not succeeded in doing so to date. In the unrest that swept up Banija last fall, the Hrvatska Kostajnica opstina remained on the sidelines, and there were no seizures of weapons, attacks on police stations, or barricades on the streets in its territory. It is precisely for that reason that the radical wing of the SDS has tried to introduce divisions and unrest in this area as well. The latest demand for convening an extraordinary meeting of the Kostajnica opstina assembly and the adoption of a decision on annexation to the "Krajina" was not delivered to the delegates, and so now people in the ranks of the SDS are thinking about new moves and new tactics. At the same time, in the neighboring opstina, Dvor na Uni, the opstina leadership is clearly expressing opposition to the government and the Croatian Republic Assembly, talking about not recognizing the Constitution and the law, and, to make things even more absurd, demanding that funds sufficient for the salaries of administrative bodies be provided from the republic budget.

In the Glina opstina, the assembly of which has yet to be formed after the repeated assembly elections, people assert that they recognize the Croatian government and

respect the Assembly, but persistently avoid and even forbid displaying the flag and seal of the Republic of Croatia. The split within the ranks of the SDS there is only intensifying the crisis, while the economic difficulties facing that Banija opstina for so long seem to be the last concern of the SDS, the largest Glina party.

A sort of assembly crisis is also shaking the Petrinja opstina, which was the center of the Banija uprising during the dramatic events of last fall. It seems, however, that passions in that opstina have nevertheless abated, and that the multiparty assembly is seeking a way to start solving the truly vital problems of all the citizens. Admittedly, several villages in the Sisak opstina, in a referendum, supported annexation to the Petrinja opstina, believing that this would change the ethnic structure of the population and that Serbs would have a majority in the opstina, and thus in the opstina assembly as well. Their calculation was mistaken, however, because even with this reinforcement the ethnic structure would not be fundamentally changed, and the entire procedure with the referendum was conducted contrary to the law and the Constitution, and so is not binding upon anyone. The strategists of unrest and chaos, however, are not taking that into account; what is important to them is creating a new incident and a new crisis center, and after that, through further steps, to force political concessions in their favor. Fortunately, however, in Petrinja and in other Banija opstinas the relevant political factors realize that the economy is the main vital question, and that less and less attention is being devoted to party and ethnic skirmishes.

#### VMRO-DPMNE Organ Attacks Macedonian Media

*91BA0370A Sofia DUMA in Bulgarian 18 Feb 91 p 3*

[Article by DUMA correspondent Goran Gotev: "The VMRO [Internal Macedonian Revolutionary Organization] Accuses NOVA MAKEDONIJA and Macedonian Radio and Television of Lies, Fabrications, and Pharisaism"]

[Text] Belgrade, 17 February—The biggest Macedonian political party, the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian Nationality], has begun publication of GLAS, its organ, in Skopje. Its director is Lyubcho Georgievski, a 25-year-old poet, who is the party's leader and also vice president of the Republic of Macedonia. In its first issue, GLAS publishes an editorial reminding us that "it is still too early for the ideas and ideals of the VMRO to become an exhibit in the museum of history," and that "although 100 years have passed since Gotse's VMRO was founded, its ideas to this day are warming up the hearts of a tremendous number of Macedonians." The newspaper notes that "in six months, the VMRO-DPMNE has covered the same hard roads along which the VMRO traveled: slander, spying, infiltration, and insinuations." The newspaper provides an explanation

for the "unparalleled attacks launched against the VMRO-DPMNE, carried out with a hysteria that has no equal."

Reminding us of the disputes within the Macedonian intelligentsia as to who today is a more dangerous enemy of Macedonia, GLAS writes: "According to some, the Albanians; according to others, the Serbs. This is wrong. Both are equally dangerous, and their natures cannot be compared. We are threatened territorially and demographically by the Albanians, and spiritually by the Serbs. Therefore, we are threatened in terms of our spiritual and physical integrity. Nonetheless, the greatest enemy of Macedonia and, respectively, of the VMRO-DPMNE, is the internal fifth column. What is it?"

According to GLAS, it is part of the Macedonian intelligentsia and the official mass information media in Skopje.

"It is doubtful," states the VMRO organ, "that Macedonia has a true intelligentsia.... If you classify as intellectuals those who should be able to think independently, to fight for the truth, and to serve mankind, we could freely claim that we have very few such people, and that, if we do, they are anonymous and live in a state of clandestinity...."

"If the necessary strength can be found and we undertake to clean up the Macedonian Augean stables, it is our mass information media that should blush the most (from shame) because of their infinite servility and hypocrisy. Whereas the Macedonian intelligentsia is the offspring of Konevism (Blazhe Konevski-Blagoy Konev is the author of Macedonian grammar and considered one of the creators of the Macedonian language—correspondent), the mass information media are the offspring of Kolishevism (Lazar Kolishevski has been a leader in Macedonia for a long time—correspondent). In innumerable cases, they openly defended unanimity of thought in order to be tossed a bone of kindness, wagging

their tails as the despot wanted them to do. The "M" in NOVA MAKEDONIJA is capitalized only nominally. With its serials, crowded with lies and with letters directly fabricated by the Internal Affairs Secretariat and its editors, NOVA MAKEDONIJA retained its high place in the (scale) of shame. In addition to the desire to change their name and be called "Macedonian Radio and Television," radio and television in Skopje continued to work and think as they did in the past, with a pharisaism worthy of Judas Iscariot."

GLAS warns that "it is not necessary for a person to think the way we do, for us to think of him as a friend of Macedonia. This does not apply exclusively to political parties but to all individuals who are members of the Macedonian fifth column...." The new Skopje newspaper once again exposes as some of them Vladimir Golubovski and the former deputy chairman of the VMRO-DPMNE, who was expelled from it and who now has proclaimed himself the founder of the dissident VMRO-Democratic Party. "Even if Golubovski did not exist," GLAS writes, "we would have had to invent him. However, the Republic's Internal Affairs Secretariat took care of this itself and kept putting snakes in our clothing. Let us not fear the fact that some of them may have remained unexposed."

In conclusion, the VMRO organ states: "Macedonia was plundered and is drowning in debts and today is in an even more difficult situation than it was in 1944. Nonetheless, there is hope for it. The Macedonian tribulations of the past few years will nonetheless end with its resurrection. There are those who can hold up the cross of Macedonia, on which it was crucified by all of its named and unnamed enemies."

There has been great clamor against this article in the Skopje press, and a number of protests against the editors and against the VMRO-DPMNE were published, claiming that they were slandering the entire Macedonian intelligentsia.



## BULGARIA

**Chief of Bulgarizing on Financing Methods**

91BA0352A Sofia DELOVI SVYAT in Bulgarian  
4 Feb 91 pp 1-2

[Interview with Dimitur Tadarukov, first deputy general director of the Bulgarizing stockholding firm, by Mara Georgieva; place and date not given: "Rental Is an Erroneous Concept With an Erroneous Economic Nature. The Present and the Future Belong to Leasing and Factoring"]

[Text] Dimitur Tadarukov is an engineer. He is also a graduate in economics, specializing in international economic relations. He is a candidate of economic sciences.

He is chairman of the Bulgarian Leasing Association. He is a member of the executive committee of LEA-SEUROPE [European Federation of Equipment Leasing Associations] and of the executive committee of EUROPA Factoring, the European factoring federation.

Dimitur Tadarukov was the first speaker from Eastern Europe to address the World Leasing Congress in Sydney, Australia, in 1988. He was also the first speaker representing the East European countries to discuss problems of leasing at a United Nations meeting in Geneva. He was the only East European representative at the East-West business meeting of financial, banking, and leasing circles in Vienna. He has been invited once again to be a speaker at the Ninth World Leasing Congress to be held in Los Angeles this coming June.

[Tadarukov] The concept of *arenda* [Russian for rent or lease] is much overused in Bulgaria. My research on the theory and practice of global leasing business proved that this term is wrong. It was used by Russian economists who translated Marx, Engels, and other classic theoreticians. Instead of "leasing," they used the Russian word *arenda*. In my view, this is a wrong concept of a wrong economic nature, literally translated and imposed by Bulgarian economists. It would be better to forget about the concept of *arenda* because it does not exist in global economic practice. The mistake of the Bulgarian economists and jurists who use this foreign word that has no economic meaning leads to inexpedient rental agreements in trade, services, and agriculture. Such contracts are inapplicable in standard worldwide practice.

[Georgieva] What terms are used in world practice?

[Tadarukov] There are three concepts related to leasing, used throughout the world: renting, hiring, and leasing. Respectively, they mean short-term, medium-term, and long-term renting. The term renting is used particularly effectively in the case of passenger cars, trucks, household electronic appliances, office equipment, and computers. The most widespread form is that of "rent a car." In renting and hiring, objects are rented that, subsequently, are returned to the renter. The recipients commit themselves, in accordance with the contracts, to

return the items they have used. In a leasing operation, however, there is a real legal possibility for the recipient to purchase the leased object when the leasing period comes to an end, on the basis of a residual value stipulated in advance. Leasing is particularly topical at the present stage of privatization of the Bulgarian economy. Considering Bulgaria's heavy foreign debt and its lack of funds, of "rich" private companies and "rich" Bulgarians, the privatization process will be difficult to implement without the use of a variety of leasing operations. Therefore, the concepts of renting [*arenda*] and all related legal economic categories become meaningless.

[Georgieva] In international economic relations, factoring, in addition to leasing, is also widespread. What does factoring essentially mean?

[Tadarukov] Both leasing and factoring are forms of financing. Leasing pertains to investment financing; factoring pertains to anything unrelated to investments. Factoring means the advance sale of a given invoice—that is, [the amount due on] a completed export transaction. Imports are handled in the same way. The invoice is sold to a bank or a factoring company known as a factor, which discounts, under certain circumstances, this payment to the exporter. This enables the exporter to obtain funds for his product immediately. Meanwhile, the bank or the factoring company is paid after a certain period of time by the actual purchaser of the goods, who has already sold them.

[Georgieva] Could you explain the concept of factoring with an example?

[Tadarukov] Yes, an example is probably necessary because this is a more complex financial operation. The Bulgarian exporter sells a certain commodity—let us say fruits, vegetables, metals, clothing, or fabrics. In all cases, we are talking about noncapital goods. And so the Bulgarian company sells its commodity to a Western bank or a factoring company, which discounts this sale at a certain percentage. The same commodity reaches the actual Western purchaser, who, after he has sold it over a given period of time, pays the stipulated amounts to the Western bank or the factoring company, the factor.

[Georgieva] What has been the practice so far in our country?

[Tadarukov] Normally, our companies export to the West on the basis of the so-called short-term credit system. This means that they receive the funds from the Western purchaser after 60, 120, 180, or 360 days. This makes the Bulgarian company both an exporter and a creditor. The reason is that noncapital goods that qualify for factoring are not sold immediately on the Western market but over a certain period of time. It is only after they have been marketed that the Western customer pays the Bulgarian exporter.

[Georgieva] What does factoring save?

[Tadarukov] What factoring eliminates is precisely this process of waiting and advancing credit by us. When we sell with factoring the same deal to a Western factoring company, it immediately discounts these invoices on the basis of various stipulations. However, the factoring company pays the Bulgarian exporter immediately, either in cash or through a bank draft. What is saved is the period of waiting for the money and the risk that the money will not be received; this eliminates the risk of possible bankruptcy by a Western customer. Also avoided are inflationary processes and bank charges.

[Georgieva] For the time being, Bulgarlizing is the only organization in Bulgaria with the ambition to engage in factoring operations.

[Tadarukov] Yes. For the past two years, we have been studying the theory and practice of factoring operations on the Western market. Last March, we applied for membership in EUROPA Factoring, the European factoring federation. Since May 1990, Bulgarlizing has been the only East European organization member of EUROPA Factoring. Fourteen countries, rallied within 14 factoring associations, are members of EUROPA Factoring. It is thus that Bulgarlizing closed the circle as the only stockholding company in our country and in Eastern Europe that is member of the two European federations: LEASEUROPE, for leasing, and EUROPA Factoring.

[Georgieva] Last year, on the initiative of Bulgarlizing, we created the Bulgarian Leasing Association, which became a member of LEASEUROPE. How much time did this require?

[Tadarukov] It took almost five years to change the standard way of thinking in our banking circles, which did not accept leasing as a form of financing, unlike the economic managers. The creation of the Bulgarian Leasing Association took one year. Its membership consists of 14 state, stockholding, incorporated, and private companies.

[Georgieva] How much time will be needed before a Bulgarian factoring association can be founded?

[Tadarukov] If we are successful with our initial factoring operations, I believe that this will accelerate the process. My forecast is that, within 12 to 18 months, we will be able to organize a Bulgarian factoring association.

[Georgieva] Who is most interested in factoring in our country?

[Tadarukov] Above all, exporters of noninvestment equipment, light industry goods, and agriculture, particularly private farmers. Factoring will become increasingly attractive because it compensates for the lack of experience, connections, and contacts, and guarantees risk-free export operations by Bulgarian companies.

[Georgieva] How will Bulgarlizing benefit from factoring?

[Tadarukov] Bulgarlizing will benefit, first of all, by developing a new image within Bulgaria and of Bulgaria in Europe and the rest of the world. Second, there will be a further expansion of its activities—that is, of its assets. Third, it will provide multiple options to its stockholders. The circle will be closed: from the ordinary financial operation and credit, through the practically proven efficiency of leasing as a financial operation, and factoring, as a new financial operation.

## CZECHOSLOVAKIA

### CSFR-USSR Bank Agreement Announced

91CH0367E Prague HOSPODARSKE NOVINY  
in Czech 14 Feb 91 pp 1-2

[Article by Marcela Doleckova: "Contract Is in the Hands of Enterprises: Bank Agreement With the Soviet Union"]

[Text] The Czechoslovak Commercial Bank and the Soviet Bank for Foreign Economic Activity recently signed in Moscow an agreement covering hard currency accounting, to take effect on 1 January 1991.

The alpha and omega of future economic ties with the Soviet Union is to renegotiate our bilateral commercial agreement in hard currencies and world prices. Since approximately the beginning of last year there have been bilateral discussions which culminated in December in the signing of an intergovernmental agreement on business relations between the two countries for 1991. This agreement, among other things, introduces the concept of indication lists, which are lists of goods in which both sides have great interest. This agreement served as the basis for a payments agreement, which spells out not only hard currency accounting based on world conditions, but also directs that special accounts be set up at appropriate banks to handle the mutual accounting, and that these banks agree on the technical details for handling payments.

The inclusion of a product on the indication list does not guarantee exports for Czechoslovak manufacturers, and it is even less a guarantee of payment. Moreover, participation in exporting or importing based on the indication list presently shuts Czechoslovak enterprises out of any advantages related to access to domestic credit sources. The payment agreement allows the use of hard currency accounts at both banks for business deals closed by Soviet and Czech businesses outside of the indication lists. Information from Jiri Perner of the Czechoslovak Commercial Bank [CSOB] indicates that the bank stands ready to serve as an adviser for signing contracts, above all for those Czechoslovak businesses that have not yet gotten involved in foreign trade.

The payment agreement also allows for the possibility that noncommercial payments, including those for tourism, can be made using national currencies. This matter is still under negotiation.

The payment agreement was made more specific by a clarification protocol and, on 31 January 1991, by an interbank agreement, which amounts to dotting the i, in a technical banking sense, on these negotiations which have stretched out for more than a year. This interbank agreement is nothing more or less than a technical instrument that establishes and assures the technical requirements for accounting between the CSOB and the Soviet bank.

The agreement defines certain accounts based on the kinds of payments involved. For example, accounting related to the above mentioned indication lists will take place in U.S. dollars through a special account maintained in the Soviet Bank in the name of the CSOB. This account will be used for deposits of all revenues from Czechoslovak exports related to the indication lists, while at the same time it will be used to pay for imports from the Soviet Union related to the same lists. These accounts, among other things, should allow the gradual elimination of Soviet debt to the CSFR.

Increasing account balances (or an absence of growth) will be a signal to the bank that it will communicate to central officials. But it will be only a signal. The bank itself cannot influence the payments. This depends entirely on contracts signed by Czechoslovak and Soviet businesses. In this regard, the CSOB emphasizes that there is a difference between Soviet and Czechoslovak businesses: While today Czechoslovak businesses are already fully independent, their potential Soviet partners are still centrally managed.

The Bank strongly cautions Czechoslovak exporters to the Soviet Union that the means of payment and, especially, obtaining payment are not the concern of the Bank, but rather are governed by the terms of signed contracts. At this stage the CSOB would be pleased to perform advisory services. In view of the quite complicated state of our mutual economic relations, the interbank agreement does not eliminate the possibility for various kinds of business deals, barter, structured, or otherwise, for which the bank can serve as an advisor. Nevertheless, to illustrate the situation in the Soviet Union, Eng. J. Perner warns that only three enterprises in the entire Soviet Union are authorized to engage in barter transactions.

#### **Property Ministry Official Analyzes Privatization**

91CH0367F Prague RESPEKT in Czech 17 Feb 91 p 6

[Interview with Engineer Roman Ceska, Ministry National Property Administration and Privatization, by Bohuslav Blazek; place and date not given: "Behind the Scenes of Privatization"]

[Text] We asked Engineer Roman Ceska of the Ministry National Property Administration and Privatization for his views on the flip side of privatization.

[Blazek] How is privatization doing at the moment?

[Ceska] I hope that it is doing well, even though we are hearing on all fronts that it should have been completed a long time ago. Even a year ago no one had any idea how we would privatize that mountain of property. Now a year has passed and everything is crystal clear. We know how we are going to put property in the hands of specific owners, and how we are going to get rid of the property for which that will not be the case.

We have even come quite far on the issue of restitution. A year ago it was actually taboo to speak about this, and as recently as April our minister was firmly against restitution. Yet today the first wave of restitution is behind us and most of the property that should have been returned has been. If the delegates pass the law this week on extralegal rehabilitation, then there will be another large wave of restitution and therefore, in effect, privatization.

The amount of government property that we had here was unique, equaled on a percentage basis by only probably two countries in the world: Romania and North Korea.

[Blazek] Since things have picked up so much and the idea has gathered so much force, do you think it might eventually affect the nationalization that took place between 1945 and 1948?

#### **Not a Step Backwards**

[Ceska] I consider 25 February 1948 as a relatively clearly defined border. The entire process was justified by saying that we would right the wrongs of communism, even though we know that there were wrongs committed before this time as well, to the Germans, to the Jews....

[Blazek] I agree that there must be a time limit on the righting of wrongs, but the violent actions after 1945 occurred conspicuously due to a fascination with the Soviet model and under the unseen pressure of their presence here, basically in the name of what happened after the putsch.

[Ceska] The fact is that at one point there was talk of the 1945-46 period, and there was talk of presidential decrees. This was part of one proposal for large privatization, but it is no longer on the table. But there was also pressure not to have any restitution even for the events of 1948. I think we will settle on 1948, and that this is politically acceptable because there are not that many owners who would identify with ownership from 1945. The most famous, such as Bata, are not typical, in that what occurred was not nationalization, but confiscation. The Bata case was a huge political error. The people who began to negotiate with Mr. Bata were not well versed in the facts of the matter. They viewed him as a kind of symbol and understood his return as a symbolic return of capitalism to Czechoslovakia. They did not realize that they were dealing with a pragmatist.

[Blazek] Let's move to the present. People were somewhat distressed by how low some of the asking prices

were at some auctions. They were therefore more than pleasantly surprised by the magnitude of the eventual selling prices. Is this a positive phenomenon?

[Ceska] It is, because it shows that people are able to estimate future returns, which is one of the main characteristics of entrepreneurship. People did not make their decisions based on static values, but on what a piece of property would bring them in the future. The very first auction showed us that entrepreneurs who are exposed to a competitive environment will behave according to its rules. In this sense I am optimistic.

#### Procedure for Granting Exceptions

I was quite pessimistic, however, about the fact that the term democracy continues to be used as a cover for selling property well below its true value. A number of sales have been conducted under the exceptions procedure. The exceptions are granted by national committees and sometimes by the ministries selling property which is clearly nonessential, but which has a high market value—real property, small factories, houses.... On Na Prikopech, for example, the POFIS [Postal Philatelic Services] house was sold for 5 million Czech korunas [Kcs]. The exception was granted by the Federal Ministry of Communications and Transportation. This house has a value greater than this selling price by a factor of 10-20. I think that the sale cannot have been clean.

The fault here does not lie with individuals, but with a system that allows such practices. The basic fact is that a very bad government enterprise law was passed that allows the selling off of government property without real accountability.

[Blazek] In this case the public should demand the immediate amendment of this law.

[Ceska] An amendment was passed but not the one we wanted. We are still paying the consequences. We asked that only the government have the authority to make exceptions for such sales. The law stated that the founders of the business would have this right. The founder is every national committee and ministry. The other side of the coin is that if we did not permit exceptions we would block the sale of a lot of junk. I see the problem in that when someone in a government institution makes such a decision, there is no accountability attached to the decision, for instance financial. Accountability in these cases has not been precisely defined. When the system allows the sale of property with the approval of the legislature, there is nothing one can say. People can think what they like, but legally everything is clean and the system that allows this is a bad one.

[Blazek] So closer monitoring of individual cases also won't help?

[Ceska] It would at least result in some political accountability. But there is no chance to prevent such legally correct transactions.

[Blazek] What if your ministry appealed directly to the delegates? How many such exceptions can there really be?

[Ceska] By the time we get the government enterprise law repealed a large number of exceptions can be granted. To say nothing of the reality that at present there are entire communities with an incentive to do so. The fact that the proceeds from the sale of property goes to the account of our ministry, not to the government, not to local accounts, for these people means that they receive no return from the sale of something that they thought of as their own. When they sell this property under the exception procedure, even if the sale is for a much lower price, at least they get something for their budget.

#### Resistant to Scandals

Perhaps if someone mapped out what the government enterprise law has cost us in lost value, the delegates might rethink their decision. This would require presenting them with very serious proof that we in this ministry are not capable of gathering. Perhaps some newspapers could take it upon themselves to watch community property or property managed by ministries to try to assure that it has a highly positive social impact. The mass media have been fairly passive in this regard, but on the other hand I must admit that our political system is not very sensitive to scandals or discoveries of wrongdoing.

Our ministry does not have the capability. We could do nothing more than watch to see if someone sells something, document the transaction, and get the director fired. But if someone would come forward and give our ministry materials documenting that this or that director is doing thus and so, I am 100 percent convinced that our minister would go to the proper sectoral minister and that they would fire the director. Consider this a public request. If you know of any such instances, document them and let us know.

[Blazek] This is an interesting way for citizens to get involved in politics, but carries with it the unpleasant sense of informing on someone.

[Ceska] The concept of informing, I guess, is not sufficiently precise. If I go into a restaurant and the waiter robs me, I need to find a way to punish him. I don't give him a tip or I don't pay him at all. Scruples are in such matters often unnecessary or harmful.

[Blazek] As you have been describing the negative aspects of privatization, it looked as though the greatest problem has been the sale of some property at less than market value, meaning that the government received less revenue than anticipated. But perhaps an even greater

problem is that this defeats the final goal of privatization, because it will result in the creation of a new type of owner who again will not be competitive in a market environment.

### The Government Does Not Want Money

[Ceska] I think you are exactly right. It is all the same to us whether we get 20,000 or 200,000. This money will not be used for budgetary purposes. We are trying to do this off budget so the process will not have an inflationary impact. For us, therefore, this money is in a way unproductive. As you do, I see a problem in that businesses are being formed without being faced with competitive pressure.

I see this as rather a political than an actual economic loss. The government can afford to give away the property for free. In fact, we are giving away more property in large privatization than people can even dream of. Our original idea, in fact, was to sell everything at one instant, so as to force artificially low prices. We did not want to get money from people, but rather to redistribute property to the people at a fair price, so that they would not go too far into debt. But we learned that this is not technically possible. We cannot privatize in one region 20 food stores at once, because there are not enough people capable of doing inventory.

So if we cannot rapidly sell off everything for low prices, then at least we want to foster competition. We have to get people away from thinking in terms of clean and dirty money. Money is money. People have to stop looking at whether someone was a communist or not, but rather at whether or not the person provides good service. Then they can take advantage of the service, or refuse it.

### Learning by Trial and Error

This is a completely new process. Our knowledge is gradually improving. In the beginning we had the feeling that the commissions could work out of pure enthusiasm. A very small amount of experience showed that the commissions have to be professional. People criticized us: You said one thing at first and now you are saying something else. Political courage consists partly in being able to say that a month ago we thought one thing, but experience forced us to change our views. Here I would like to call upon our Federal Assembly or the National Councils to not be afraid to pass amendments or amendments to amendments to laws. If knowledge increases by a small amount it is a mistake not to react to it.

Our entire transition from total statism to a market system is unique enough so that our knowledge can be a model for the world. I feel like a person with a conservative view of the world, because I deeply respect incremental increases in our knowledge of reality.

Fundamentally we should not map out anything new, but allow developments to move in proven directions. For this reason the constant attention to what has not

worked bothers me a lot. Very few realize that when something fails, it does so in and of itself.

### Capital Asset Depreciation Briefly Explained

91CH0367C Prague HOSPODARSKE NOVINY  
in Czech 7 Feb 91 p 4

[Article by Professor Jiri Klozar: "Accounting for Capital Asset Depreciation"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] At the request of our readers, we asked our leading expert, Professor Jiri Klozar, to explain briefly accounting for capital asset depreciation now that capital asset funds have been eliminated at government enterprises.

Based on an ordinance issued by the government of the CSFR on 17 December 1990, concerning business financial management, paid-in capital is to be considered a long-term financial asset that can be used to meet the property needs of a firm. This differs from the earlier policy, in that paid-in capital is no longer divided into a part used to finance capital asset acquisition and investment on the one hand (the so-called capital asset and investment fund) and another part for use in financing business operations (working capital).

Enterprise financial assets, in other words, will no longer be divided into investment and operations areas. A government enterprise has only its paid-in capital, which serves as a source for financing enterprise property—capital assets, inventories, cash assets, accounts receivable. Enterprises also have one current account, which they use as necessary to pay operating and investment expenses. There are no longer any investment accounts, which were used to pay invoices related to capital construction.

One would certainly be justified in assuming, then, that enterprise capital assets, or a majority of these assets, are financed using paid-in capital. The gradual depreciation of capital assets reduces the share of paid-in capital tied up in the capital assets. Because capital asset depreciation is accounted for as a business cost, but is not paid to anyone, the enterprise retains these writeoffs, which accumulate in the current account as free cash, financed in effect by that part of the paid-in capital used previously to finance the depreciated portion of capital assets.

Accounting for capital asset depreciation in this case is very simple. The amount of depreciation is entered in the capital asset adjustment account, and the same amount is entered as the business cost, capital asset depreciation.

The above methodology has the advantage of being fully applicable to all other legal forms of business organization. This provides a convincing supporting argument for its correctness. For instance, when this method is used for a corporation, capital asset depreciation does reduce the capital stock; similarly, when applied to



cooperative organizations, depreciation does not reduce the member shares fund, which expresses paid-in member shares.

This method can even be used in the extreme, highly unlikely case where loans are used to finance capital asset acquisition. Even in this case, depreciation accounting does not change its financing source. An entirely different question is whether the loaning institution might reasonably request repayment of the loan at least as fast as the purchased capital asset depreciates, which would mean using some of the depreciation funds credited to the current account to pay off the loan.

Now, a concise explanation of how depreciation amounts get into the current account. Revenues, i.e. prices received for enterprise outputs, include calculations of capital asset depreciation. Therefore, crediting revenues to the current account makes available amounts equal to the calculated depreciation. These are economically close to the depreciation amounts accounted for in any given accounting period. Some differences can arise between the depreciation amounts figured into prices and the accounting amounts for certain accounting periods.

This new method of accounting for capital asset depreciation stems from a comprehensive view of enterprise finance that makes no distinction between financing the operations and investment sides of a business. This approach to accounting could be implemented even under previous conditions by completely separating these spheres (for details see Klozar, *Accounting in the Business Enterprise*, Mercur Publishers, Prague, 1985, pp 166, 418, and *Basic Accounting*, ALFA Government Publishing House for Technical Literature [SNTL], 1980, p 108.). Under the new procedure, however, accounting information does not tell you directly how much of the accumulated capital asset depreciation an enterprise still has in its current account (because the enterprise can use these funds to finance operations).

Eliminating the barriers between investment and operational activities reflects the reduction in bureaucracy in business management. It would not be in conflict with this new procedure if a business under certain conditions set up an investment account where it would accumulate funds to pay for investments, and possibly depreciation amounts as well. The single condition is that the business could utilize the funds in this account as it sees fit.

### Minimum Wage General Agreement Clarified

91CH0367G Prague HOSPODARSKE NOVINY  
in Czech 14 Feb 91 p 8

[Article by Engineer Vladimir Starecky, Federal Ministry of Labor and Social Affairs: "Minimum Wage Specifics"]

[Text] After publication of the general agreement signed in Bratislava on 28 January of this year state offices,

sectoral centers, and newspaper editorial offices have been deluged with questions about the minimum wage.

First it is necessary to realize that the general agreement is not a law, and that a minimum wage cannot be paid based on it alone. The legal regulation allowing the payment of minimum wages will be published in the *Laws of the CSFR* as a government ordinance. The Federal Ministry of Labor and Social Affairs [FMPSV] submitted a draft of such a law to the government early in February. In the remainder of this article I will describe only those provisions of the general agreement that will not be changed, or changed only minimally by the government ordinance.

The basic provision of the agreement is the range of workers to which the government minimum wage ordinance will apply. The minimum wage will apply to all workers with a job, including secondary. The minimum wage law will not apply to activities performed based on agreements outside the job context. Nor will the government minimum wage ordinance to agricultural cooperative members, because under Section 38 of Law No. 162/1990, *Laws of the CSFR*, concerning agricultural cooperatives, compensation for cooperative members is established by each cooperative in its regulations.

The general agreement sets the minimum wage at 10.80 Czech korunas [Kcs] per hour for a 42.5-hour work week (work weeks of different length can have different minimum wage levels) or Kcs2,000 monthly. This has caused some confusion because people did not read the precise text of the general agreement. The agreement states that the minimum wage is Kcs2,000 only for employees paid a monthly salary for fulltime work.

Employees who have negotiated a shorter work week, or who do not work for an entire month receive a wage commensurate with the amount of time spent on the job. For instance, an employee who has an agreed upon work week of 25 hours (i.e. 58.8 percent of the established work week of 42.5 hours) would be entitled to a minimum wage of Kcs1,176 (2,000 multiplied by .588). An employee who works only half of the work days of a month because of illness has a right to only half of the minimum wage, i.e. Kcs1,000. Medical coverage provides compensation for the lost days at work. Hourly employees are entitled to the hourly minimum wage for the number of hours that they work.

There is no sense in recriminating over the minimum wage level, which was set under union influence. It will clearly have a negative impact on employment, especially in certain areas of the economy (young people, mothers with young children, gypsies, etc.). It reduces wage differentials and therefore incentives to work. A high minimum wage will also cause problems for many organizations who currently have many employees being paid less than the minimum wage or that have financial problems. Problems with the minimum wage will occur mainly at budget-supported and self-supporting organizations.

A partial solution can be provided by reevaluating the scope of certain activities and by individual adjustments in work time in employment contracts. For instance, an organization currently pays a cleaning woman Kcs1,500 monthly for fulltime work, even though it is common knowledge that the cleaning women do not keep these hours. After the minimum wage becomes law, this organization will either have to reduce the number of cleaning women or, even better, renegotiate their employment contracts for the precise number of hours the work requires. In some facilities such as museums and galleries it may be necessary to reduce the hours they are open and to use technical equipment to secure certain exhibits.

If an employee does not reach the minimum wage it is expected that the employer will make up the difference in the form of a supplementary payment (considered a nonwage component of wage costs). In order to determine whether an employee is entitled to the supplementary payment, all components of the wages (but not replacements for wages) should be included in the employee's wages. The total amount paid to the employee would then be divided by the number of hours worked and the quotient compared with the established hourly minimum wage. Similarly, for employees paid according to monthly salary rates the achieved daily wage rate should be compared with the amount of the minimum wage per day of the month in question.

It is expected that each employee will receive the minimum wage each month even in cases where employees receive some of their compensation, such as quarterly bonuses, profit sharing payments, etc. over longer time periods. In these cases the supplementary minimum wage payments in those months when other wage components are not paid will be considered as a draw. Employers will be required to establish the components of wages, the periods and accounting rules for minimum wage supplements either in an internal company regulation or in employment contracts.

The government minimum wage ordinance proposes for certain groups of workers a variation of the minimum wage provisions contained in the general agreement. This involves those who receive full or partial disability payments and disabled persons under 18 years of age. The objective is to make it easier for them to enter the work force without being faced with the possibility of living below the poverty line.

It is apparently illogical to have minimum wages apply fully to those receiving retirement pensions. It is expected, though, that this will worsen their standing in the labor force, and improve the standing of younger workers in their productive years. Another special group includes young people under 16, for whom it is expected that the monthly minimum wage will be lower, because the labor code forbids them from working more than 33 hours a week. For domestic workers the most acceptable resolution seems to be paying minimum wage based on hours worked determined by standard hour conventions.

For legislative reasons the CSFR Government minimum wage ordinance cannot include inconsequential details in, nor can any other regulation be issued with it. Therefore, after passage the government minimum wage ordinance will be published in full, with explanatory notes.

#### Comments on 4 Specific Sales Tax Groups

91CH0367D Prague HOSPODARSKE NOVINY  
in Czech 5 Feb 91 p 13

[Unattributed article: "Sales Tax and Pricing"]

[Text] Prices are the result of supplier-consumer agreement. Price deregulation does not mean that businessmen can set prices arbitrarily. We will get accustomed to new economic concepts.

At the end of last year we issued a pricing law and an accompanying implementation decree. These materials, but mainly pricing reality in the new year, have increased the interest of the general public in the issue of a market economy. Milan Nosek wrote to us from Ceske Budejovice. He is learning that the new sales tax system significantly influences price formation and immediately posed a number of questions:

1. There are four sales tax groups. Which groups of goods will be included in each tax group, and how will this be done?
2. How are manufacturing prices (OC), wholesale prices (VC), and retail prices (MC) going to be calculated? Where is the sales tax going to be imposed?

Because the issue of the sales tax, its calculation, and price formation interests all entrepreneurs, we requested a response to the two questions above from Engineer Jan Klak, director of the price division of the CSFR Ministry of Finance.

Regarding the first question, he stated: The sales tax rates for 1991 classify products based on the numbering system of the uniform production category classification. Each sector has an assigned specific sales tax rate (0, 12, 22, or 32 percent). Items that are not taxed include foods, fuel, and raw materials. The 12-percent rate covers items such as construction materials, wood, and children's beds. The 22-percent rate covers items such as machine tools and instruments, as well as printed matter. The 32 percent rate covers items such as textiles, drugs, furs, and umbrellas.

In addition to these four agreed upon tax rates, certain products belonging to section XVIII of the rate table are taxed at more than 32 percent. These include alcoholic beverages, propellants, cigarettes, passenger cars, tea, coffee, and gems. To determine the sales tax rate on a specific product, one must know the classification number (JKPOV) [expansion unknown] and have available a current sales tax table. Everyone who pays sales tax can purchase this table at SEVT (Government and

Documentation Publishing House) in Prague. Basic information can be obtained when declaring taxes to a financial office.

Regarding the second question, Eng. Klak informed us that price offices are no longer involved in setting the prices of goods. The categories of manufacturing, wholesale, and retail prices are no longer used in economic terminology. The price of a majority of products and services are arrived at by agreement between suppliers and customers. Maximum prices have been set by the government only for a small number of products (officially established prices). The sales tax is calculated for the so-called sales price in instances where the supplier is required to charge a customer sales tax for a product or service. The point is that the selling price is a matter for agreement between supplier and customer. More details on taxation based on sales price will be presented in a methodological article with examples that will be published in HOSPODARSKE NOVINY.

## HUNGARY

### Local Governments Demand Share of Privatization

91CH0324A Budapest NEPSZABADSAG in Hungarian  
17 Jan 91 p 5

[Article by Maria Lakatos: "Return the Wealth! Local Governments Organizing"]

[Text] As we reported last week, local governments are dissatisfied because of the slow progress of reprivatization. They also object to receiving only half of the proceeds from the sale of state-owned commercial and service enterprises, therefore, they are attempting to suspend the process of privatization.

As one sign of this development, the mayor in the city of Gyor turned to the Constitutional Court, while the local authorities of Budapest are trying to come to terms with the government. As we have learned from Ferenc Wekler, the chairman of the National Assembly's committee on local government, representatives of local governments made another initiative: They want to create a coordinating committee which would enable the government to have someone with whom to negotiate on this important issue.

As was revealed by the circular letter that was sent to every mayor yesterday, they would assemble a negotiating delegation, which would begin discussions with the government about the unsettled issue of local governmental property rights. The letter also revealed that, in spite of legal prescriptions, local authorities are not invited to participate in the preparation of legislation concerning their own activities. What is more, even the national budget was created without consulting them. As the letter says, "the same practice prevails in formulating, or rather delaying month after month, the legislation concerning the crucial property rights of local

governments." If the coordinating committee were to evolve, then the local authorities would want to exercise their rights to the public holdings in their jurisdictions that are not in the service of specifically targeted national projects. As for the privatization of state-owned commercial and service firms in their jurisdictions, they wish to retain control over them.

One of their demands is for their share of the national tax revenues and subsidies extended by the state to cover the cost of tasks that they are prescribed to perform, and that state subsidies be controlled by local authorities, instead of ministries or other governmental organs. According to Ferenc Wekler, the laws ratified by the new government gradually turned over the properties of local governments to the state, a process that was only in part reversed by the ratification of the new budget, according to which 50 percent of the revenues collected from privatization was given back to local authorities. Now, however, they want the entire sum.

According to the chairman of the local government committee, existing laws do not cover the situation of properties owned by local authorities, so there is not much that the Constitutional Court can do. In any event, it is the issue of land that has to be settled first; that will serve as guide for the process of privatization and reprivatization, which have already been too slow, at least in the view of local governments. Furthermore, it appears that after the formation of the government there was no one taking care of this issue, since earlier it was Gyorgy Matolcsy and his team that worked out the principles.

### Official Discusses Legal Aspects of Privatization

91CH0396A Budapest MAGYAR FORUM  
in Hungarian 31 Jan 91 p 4

[Interview with Laszlo Kecskes, Ministry of Justice deputy state secretary, by Laszlo Jasz at the Ministry of Justice in Budapest; date not given: "Things Covered Up by the Rubble of the Old System: New Nationalization or Honorable Privatization?"—first two paragraphs are MAGYAR FORUM introduction]

[Text] Privatization. This is the great topic of our day. We could also regard it as the hot potato of our day; everyone blows at it, grabs it, touches it, pushes it aside, and complains about it. They complain because of privatization transactions that have already taken place, and also because of others that have not taken place. Many questions and objections arise, and protracted waiting periods present even greater problems. Prospective entrepreneurs willing to start up or start anew are waiting, and so are cooperatives and plants that are aware of the need to modernize. The only thing missing is a law that provides standards.

We paid a visit to Deputy State Secretary Laszlo Kecskes at the Ministry of Justice. Civil and business law are his specialties. We brought along a package filled with questions, objections, and expectations.



**Well Below Worth**

[Jasz] Mr. Deputy State Secretary, we hear countless statements which claim that the administration has been dragging its feet with economic transformation, that the enactment of needed laws has been delayed, and that privatization has slowed down, or possibly hasn't even truly begun. What is your opinion on this?

[Kecskes] Most of the criticism has been well founded. However, as far as I am concerned, I am unable to agree with those who claim that legislation has been progressing slowly. We must go back a few years in order to fairly judge these matters. The main problem is that privatization in Hungary began without establishing any legal foundations. The old system made the first mistake when the law on transformation took effect. They created the semblance that parliament adopted a fairly unimportant rule of a mere technical character, virtually an appendix to the corporate law. They failed to call to society's attention the fact that privatization was about to begin. It thus happened that spontaneous privatization began quietly. This progressed rather quickly. Several hundred enterprises were spontaneously privatized.

[Jasz] This question may be naive, but we always surmise that there must be something behind spontaneous privatization, like, should I say, inappropriateness?

[Kecskes] Not always. This is not necessarily so. Nevertheless the fact is that for some reason, enterprises had been sold for a price below their worth in almost every instance. In Poland, they have a more strict definition. They call it nomenclatural privatization....

**Neither Slow nor Fast**

[Jasz] And what is the legal situation regarding the impurities? Are they to be upheld as long as they had already taken place?

[Kecskes] The facts involved in spontaneous privatization were covered up by the rubble of the old system that collapsed. One cannot reverse things that have already taken place, but criminal cases could be initiated at any time if abuses were brought to light. Only one alternative exists from the standpoint of civil law: To obtain a judgment in favor of the state. This means that the discovery of grave wrongdoing in the framework of a business transaction would render a contract void. Money would not revert to parties to the contract, but to the state. This is the only sanction that we could apply.

[Jasz] Let us return to the present now that we have reviewed the history. Once again, there are frequent objections to the slowness of privatization, and to the timid character of the process.

[Kecskes] Economists say that privatization is in good shape. At the same time, statements to the effect that privatization has been slow are commonplace. In my view, privatization is progressing relatively fast. Privatization as such, must not be viewed alone. Upon closer examination, you will find the banking system, the

condition of which would not even permit a faster pace. Then let us consider the condition of the enterprises. They must be fixed up before any serious interest by any serious investor can be aroused.

[Jasz] Accordingly, would it be appropriate to say that considering the circumstances, people at the Ministry of Justice have been satisfied with the process?

[Kecskes] I would not say that. The Ministry of Justice takes the position that the earliest possible enactment of a comprehensive privatization law is needed in order to further develop the legal framework. The ministry holds professional responsibility in this regard. Related provisions are presently contained in five or six different laws. Hardly any lawyer would be able to correlate these matters. This situation does not yield legal security.

**Legal Security Is the Goal**

[Jasz] What could you do to change this sluggishness?

[Kecskes] Our goal is to establish legal security. We do not intend to become involved in the substantive process. We are not called upon to deal with acceleration or deceleration. The role of law has a service character relative to economic policy. At least four or five important economic policy decisions must be made. We cannot make these decisions, we must wait until these decisions have been made.

[Jasz] But still, what has happened since the lengthy and complicated process of a peaceful system change was begun?

[Kecskes] The administration came into a position of being able to control the burgeoning and high speed spontaneous privatization only last summer. Certain laws had been amended in order to influence this process. The State Property Agency had been removed from under legislative authority and was placed under the jurisdiction of the cabinet. Previously, the State Property Agency could exercise its veto power only upon the conclusion of a business transaction, today it may exercise this authority during the entire course of the process. It has become part of the state administrative organization, and it exercises ownership rights on behalf of the state. The law governing the protection of state property managed by enterprises has been changed. Thus, by now, we are no longer talking about spontaneous privatization, but about active privatization.

**Views, Qualitative Judgments**

[Jasz] Surely, these measures have been attacked from many sides....

[Kecskes] The main idea the critics pounded into the public mind was that these measures amounted to statism, that this was none other than another nationalization process, etc. This had been asserted not only by the opposition, but also by quite a few Western businessmen. This charge is false; nevertheless, it caused great damage. This is because these measures clarified

only those provisions which provided opportunities for abuse. We established decent foundations with these measures.

[Jasz] Following these clarifications, what characterizes the transactions now in progress?

[Kecskes] Presently, privatization in Hungary proceeds in two directions. One type of privatization is being initiated at the grass-roots level. This actually amounts to active privatization, a tamed version of spontaneous privatization. The other kind of privatization is centrally directed. In these instances the State Property Agency initiates the transaction. Such action has been announced in the form of two lists released in September and November respectively, each containing 20 enterprises. Enterprises on the second list have requested that they be included. Accordingly, we may observe here the evolution of an in-between situation.

[Jasz] In conclusion, I would like to assert a "grass-roots" complaint. Many express feelings of serious discontent because they feel that the real winners in the privatization process are the moneyed cadres of the old system, that the comrades turn into new capitalists.

[Kecskes] Unquestionably, this does happen, but it would be inconceivable to initiate legal action to prevent this from happening. Discrimination is not permissible in a constitutional state. Obviously, those who have money will be able to privatize. To rule out such persons as individual buyers would be impossible from a legal standpoint. The State Property Agency, as the owner representing the state, has the authority to make this complicated the decision, and also has authority to consider or disregard other information along with economic considerations when making such decisions. As far as we are concerned, our sole endeavor must be to prepare a law that will withstand the test of time, because privatization is not a one time, but a continuous phenomenon.

### Minister Changes Views on Nuclear Energy

91CH0324B Budapest NEPSZABADSAG in Hungarian  
17 Jan 91 p 5

[Unattributed article: "The Minister Felt Differently When He Was a Member of the Opposition: Akos Bod Peter on Domestic Energy Situation"]

[Text] Akos Bod Peter, the minister of industry and commerce, was acquainting himself with the Paks Nuclear Power Plant Enterprise. While visiting there, he met with members of the trade union committee, the workers' council, and the plant's youth organization, then he held a press conference.

In response to questions, the minister said, among other things, that as a member of the opposition, he was glad when the previous government stopped preparing the

1,000 megawatt blocks of the nuclear power plant. However, now that he is the minister, he sees the situation differently:

"We must admit that placing the country at the mercy of imported energy to this extent is not acceptable," Peter emphasized. "It has already been made clear that Hungary must begin the building of a basic power plant. It has not been decided what kind of plant. It would be possible to design a plant that would use oil, natural gas, or imported or domestic coal. Nuclear energy is also one of the contenders. Natural gas is difficult to store, oil comes to us from a crisis-ridden region, and imported coal costs dollars. In the final analysis, we will have to undertake lengthy debates to make a responsible decision on this issue.

"Another factor influencing the final decision is that a power plant of this type costs \$2 billion or \$3 billion, and it takes six or eight years to build. Thus, it is rather urgent to make a decision, because by the turn of the millennium, we must eliminate our great dependence on energy. While there is no domestic money available for this project, some offers of operating capital have already been made."

To our correspondent's question who wanted to know when the country's new proposed energy policy will be revealed, Peter responded:

"Last year the ministry prepared its concept of a new energy policy, and augmented it with a plan for restructuring the coal-mining industry. However, the National Assembly could not discuss this before the first half of 1991. Of course, this is not a problem because in the meantime, a new situation arose. We have learned that we must build a basic power plant. There was an arduous debate among the professionals. Obviously, lobbyist groups exist for oil, natural gas, coal, and nuclear power, and each of these stands up for its own interest. The debate will continue in the National Assembly. The most important consideration is that we must build a safe power plant, one that is acceptable to the public."

It was announced during the press conference that the government gave a one-year extension to the uranium mine at Pecs. If it can produce one kilogram uranium for \$60, the government guarantees the use of that material at Paks.

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In 1990, the Duna Iron Works made only 200 million forints in profit, in contrast with 2.5 billion during the previous year. If the trend continues, the large enterprise, which employs 10,000 people, may find itself in a difficult situation in 1991. According to leaders of the Dunaujvaros enterprise, who yesterday were talking with officials at the Ministry of Industry and Commerce about possible steps to head off troubles, the causes of the problem include the lessening demand for Hungarian products (brought on by the stagnation of Hungary's

machine industry), and the approximately 20 percent decline in prices on the global markets.

The enterprise's managers asked Mr. Peter, who arrived in Dunaujvaros from Paks, for help in creating equal competitive conditions, at least on the Hungarian market. The Iron Works pays a 10-percent duty on coal imported for the purpose of being turned into coke, while its rivals who directly import coke are free of such a burden. In another respect, it is the absence of import duties that causes problems. Dumping-priced Czechoslovak products are sold not only abroad, but also on the Hungarian market, so the leaders of the Iron Works have called for the introduction of protective tariffs. Even if they receive this kind of help, they can only stay on their feet by drastically reducing their costs. As stated by the plant's chief executive officer, Ferenc Szabo, they have some concrete ideas about purchasing energy-saving equipment and technologies, but this requires capital. He called upon the minister to develop central programs to support such objectives.

#### **Vague Future of Trade Union Movement Analyzed**

*91CH0353A Budapest NEPSZABADSAG in Hungarian  
28 Jan 91 p 6*

[Article by Katalin Bossanyi: "Should We Start All Over?"]

[Text] "Crisis and the Trade Unions" was the title of last Saturday's conference organized by the Society of Social Democrats. Invited by the organization which is part of the MSZP [Hungarian Socialist Party], a large and active audience listened to representatives from the MSZOSZ [National Association of Hungarian Trade Unions], the Society of Social Democrats, the "Solidarity" Trade Union Workers' Alliance, the Trade Union Arbitration Forum, and the workers' councils. Noted independent sociologists, political scientists, and economists were also present. Diverse opinions notwithstanding, the participants agreed that, resulting from the growing vulnerability of laborers, conflicts may arise which our society can not solve, or do so only in a cloud of great tensions.

Listening to the broadly divergent arguments, I had the feeling that the greatest merit of the conference was the fact that it materialized, and finally provided a forum where the participants were not just pointing fingers at each other, or were occupied with legitimizing their own activities at the expense of others, or debating issues of property, organization, and prestige, or where organs created to represent interests no longer lamented their own crises, but tried to pay attention to those whom they were supposed to defend and represent. They were able to come to agreement in forming local and regional forums for arbitration, such as in the urgent case of creating enterprise councils.

True, the consensus was not born out of releasing the internal tensions of labor unions, but rather from evaluating the situation soberly, and being fearful, with good reason, that no matter how much they wished to do so,

today they lack the strength to offer real protection from growing unemployment, deteriorating living standards, runaway inflation, and the effects of direct and indirect taxation. Their worries were based primarily on the view that if things continue in this manner, the labor unions will hardly be able to influence the thinking, and predict the actions, of the masses who will have turned away from the old labor movement, become disenchanted with the infighting of new organizations, and lost faith in political parties.

The events of coming months conceal a series potential of social explosions. The prime minister himself referred to this repeatedly, and politicians of the progovernment and opposing disposition alike voiced their anxiety. At the moment, while looking at the various social strata whose members have been riled up by demagogic promises, the representatives of certain entrepreneurial groups that have lost their perspectives, or the workers who are exposed to massive and lasting existential uncertainty; no one can be assured what tools or means they might use in the hope of implementing their interests. Nor do we have anything but sad experiences with what could happen if, because of the economic problems of the neighboring countries, Hungary and the region were to become more like Weimar Germany.

Of course, I realize that no historical analogy is precise. If only to preserve its own position in power, the right-of-the-middle government obviously tries to avoid the spread of anarchy, as well as one of the possible alternatives, a forceful attempt at stabilization by using the law and order slogans. However, in order to be successful, the government needs a strong representative of popular interests, and smoothly operating arbitration machinery that does not resolve conflicts in the streets. Presently, danger is represented not only by a lack of forbearance on the part of society, but also by the fact that the government has no really competent negotiating partner either at the level of employees or that of labor.

Will there be, or could there be, such a partner in the near future?

Weighing the chances for such a development, it would be unproductive to play the political innocent. I realize, as do others, that strong labor unions, in addition to stimulating social tensions, also represent power centers for the opposition. Representatives of various interests who were present at Saturday's discussion asked none of the political parties to take up their causes. They emphasized that they wish to guard their independence diligently. Still, it was clearly revealed in the course of discussion that, in view of the capital-labor conflict, which shows no sign of abating, a truly effective trade union movement is able to operate within the framework of modern European social democracy. The parties that consider themselves social democratic may be best advised to join the ranks of the trade union movement, right at the workbench level, instead of trying to take over its leadership. This is especially true because genuine trade unions cannot be created from above, or from

the outside, but only from the inside, relying on the will and mandate of those whose cause is already hurt by the haphazardly developing Hungarian capitalism of the 1990's, and will be hurt in the future, even if the economic situation were to improve.

### **Arrears in Rent, Utility Payments Grow**

*91CH0353B Budapest NEPSZABADSAG in Hungarian  
2 Feb 91 p 4*

[Unattributed article: "Many People Owe Utility Payments"]

[Text] (As reported by our staff writers) As of yesterday, the price of electrical energy is higher, and in the recent past we witnessed a considerable rise in the cost of most utilities. We asked the fee-collecting offices: Since last year, how many people have found themselves unable to bear these burdens?

The capital city's Computing Technology and Fee-Collecting Enterprise signs contracts with individual firms for recording, billing, and collecting payments of utility fees, rents, and other service charges. Immediately upon receiving payment for the bills, they transfer these amounts to the firms providing the services.

On 31 December 1990, the total owed by residents amounted to nearly 292 million forints. We may add to this about 60 million forints, which is subject to extrajudicial litigation.

According to records, higher rent bills in April and May of 1990 resulted in a radical jump of rent payments in arrears, and since that time the increase steadily continues, (although the share of unpaid bills dropped in November and December). Year-end data reveal that the value of arrears equals 1.71 percent of all bills that were issued during the year. When comparing this to the previous years, we find that the value of arrears has increased threefold, and the number of unpaid bills has doubled. When it comes to rent payments, the proportion of arrears is greater, while the rate of growth is somewhat slower.

(From our correspondents) Even in the county of Komarom-Esztergom, consumers know that there are service bills that can be prosecuted and others that cannot. In general, no one is evicted because of arrears in rent payment, and it is technically impossible to disconnect the central heat in an apartment. Electricity is the only service that can be disconnected; thus, according to our correspondent, Bela Kovacs, arrears of electric bills are the lowest in number.

Residents of the county owe the Komarom-Esztergom County Central Heating Enterprise about 41 million forints, and about one half of this amount is owed in the city of Tatabanya. Ferenc Vida, manager of the Tatabanya Real Estate Management Enterprise, said that about 2,500 residents of the county seat are in arrears when it comes to rent payment, and the money owed

amounts to over 15 million forints. There are people who have been in arrears for two or three years, but there is an increasing number of those who are simply unable to make rent payments.

Our correspondent, Jozsef Hazafi, reports that in a single year, the number of those not paying their electricity bills has increased by 39 percent from the Szekszard branch of the Electric Power Service Enterprise of Southern Transdanubia (DEDASZ), which covers the communities of Bonyhad, Hogyesz, Paks, Tolna, Szekszard, and Bataszek. In 1989 the region's residents owed only 360,000 forints in electrical bills, but this rose to be 513,000 forints by December 1990.

### **Accounting Office Urges Halt to Danube Project**

*91CH0324C Budapest NEPSZABADSAG in Hungarian  
18 Jan 91 p 6*

[Article by Zs. R.: "The National Accounting Office: The Bos-Nagymaros Project Must Be Stopped!"]

[Text] The National Accounting Office has prepared a report on its investigation into the large investment project connected with the river barrage system at Bos-Nagymaros, and the soundness of accounts covering the properties of certain social organizations.

During the press conference that was held in the parliament building, Dr. Istvan Hagelmayer, chairman of the National Accounting Office, announced that it is urgently necessary to abrogate the agreement made with the Czechoslovak state, and that the work of rehabilitation must also begin very soon, because it is more expensive to maintain the status quo. The experts recommended the recreation of an environmental park in the region that has been spoiled. Both the World Bank and the Hungarian Fund for Environmental Protection has offered financial assistance to that end. Between 13 May 1989 and the time when the commissioner appointed by the new government took his post, 7.2 billion forints were spent on the project. (As for the Hungarian portion of the project, until 1 June 1990 24.4 billion forints were paid out by the Hungarian state, out of the projected 34.5 billion that was approved in 1986. One should add to this the 3.1 billion forints connected with development, and 5.1 billion that were used to pay interest on the refinancing loans.) The Accounting Office found that bills for 681 million forints which were paid during the period under examination were in order. Nor did accountants find anything objectionable in the way the government's decisions were implemented. On the other hand, they stated that the OVIBER [National Authority for Hydrological Investment], which is not an investor, but the executor of the decision, gained a more prominent position than was foreseen, because of its legal position. It was also noticeable that no unified position was assumed, even by those in the government. According to the Accounting Office, the investment project should be financially closed; after which it would be possible to respond to the government's request for an

investigation into the entire fiscal status of the project, involving the assistance of the Hungarian National Bank and the Central Statistical Bureau.

In all, the property records of nine social organizations were examined by experts. They found only three of these to be acceptable. Those of the successor to the Patriotic People's Front (the Alliance of Social Associations), the Alliance of Hungarian Women, and the Association of Hungarian Resistance Fighters and Anti-Fascists. The greatest problems were revealed in the course of examining the records of the MSZP [Hungarian Socialist Party] and the DEMISZ [Hungarian Democratic Youth Organization]. To be sure, the most demanding conditions were applied in examining the MSZP's case. Records were requested that dated back to 1 January 1949, and some of those disappeared in the storm of historical events. In a few cases the gaps can be filled in, but several items of documentation were declared unacceptable. Of the 49 members of the DEMISZ' organizations, only 18 were able to present documentation that was acceptable. One of these was the economic bureau of the DEMISZ, whose legal predecessor, the KISZ [Hungarian Communist Youth League] Central Committee, destroyed too many documents prior to its transformation.

## YUGOSLAVIA

### Leading Slovene Economist Interviewed

91BA0342A Zagreb DANAS in Serbo-Croatian  
19 Feb 91 pp 10-12

[Interview with Dr. Aleksander Bajt, director of the Economic Institute of the School of Law in Ljubljana, by Zoran Medved; place and date not given: "High Price of Independence"—first paragraph is DANAS introduction]

[Text] The well-known economist and director of the Economic Institute in Ljubljana on the advantages and pitfalls of Slovene independence, on protecting the Slovene economy, on who is taking advantage of whom in Yugoslavia, on the Croatian-Slovene market, Markovic's mistakes, and Sachs' advice.

The Economic Institute of the School of Law in Ljubljana is the place where at nearly any moment you can find Dr. Aleksander Bajt, the former advisor to many presidents of the Yugoslav government, and today a sharp critic not only of that which Ante Markovic is or is not doing, but also of the policy of the Slovene government, which includes "our Joze," as Bajt himself says, thinking of course of Vice President Dr. Joze Mencinger. It is obvious that the new generation of politicians does not want very much of Bajt's sharp tongue and his uncompromising economic prognoses, but this has not changed the attitude of this robust 70-year-old towards the world around him in the least. Recently, the press covered "his" comment to Vienna's DER STANDARD to the effect that if it secedes, Slovenia will become

Austria's 10th province, and that did not please many people. Sam Bajt contends that he never said anything of the sort, but that the later reaction of some Austrian politicians who proposed to the government in Vienna that Slovenia be offered independence "a la Liechtenstein" convinced him that such a thing could never come about.

[Bajt] In the debate on Slovene independence, the starting point must be the maximum independence that Slovenia can achieve. This would have to be the goal of anyone who talks about Slovene politics and economics. This is not a question of some will, desire, decision, it is not a question of a plebiscite, it is a real question. Independence is a function of the size of a country. The size of a country is not measured by its two million inhabitants. Here, for example, our important economic strength is per capita social production. According to that indicator, we are no big deal. According to statistical data, our intellectual capabilities, our ability to generate technological progress, as you know, are not that far from Yugoslavia, and Yugoslavia is close to where all the other Balkan states are. Thus, the objective possibilities of leading an independent existence are proportionally small.

If we look at the economic side, we see that no state is entirely independent. Large economies are interdependent. Of course, the bigger the economy, the more independently it can pursue a particular economic policy, while a small economy, in practice, cannot pursue an independent economic policy. I would not say that this is a major problem for Slovenia. Slovenia, like Yugoslavia, would be an open economy in the future, like countries in Western Europe, with a free flow of capital, people, products, etc. Nor is it a major problem that there is no possibility here of pursuing some independent economic policy of our own. Simply put, such a situation exists in all other countries as well. What they will achieve under these conditions of free competition depends solely on the ability of the people, and very little on, say, natural conditions. It depends primarily on what we have in our heads, not on the number of hands, as the plebiscite posters hinted—that we have 4 million hands. Four million hands means exactly nothing!

[Medved] In Slovenia, justification for independence is always provided in the form of the need to protect the interests of the Slovene economy, and thus to protect political independence as well. To what extent is this "doctrine of protection" warranted under our circumstances?

[Bajt] What I said relates to a long-term strategy for Slovenia. This would be Slovenia's position if it were to remain in Yugoslavia or if it were to be on its own. It is not even conceivable that Yugoslavia could remain outside European developments for a lengthy period of time, say, a period of 15 or 20 years. What is important is that Slovene independence diminishes the possibility of pursuing an independent economic policy in the interim period. And in the interim period, the Slovene



economy, more than the Yugoslav one, needs an independent policy, because if we were to open up right now all at once, we would have an arrangement just like Western Europe, meaning that anyone could buy us. Our economy must also be protected for the simple reason that it is much less efficient than other economies. Such as we are, we cannot compete against them. We must protect ourselves. One way is through devaluation, the steady devaluation of our currency, which is unacceptable. In our case, devaluation as a form of protection must be combined with tariff protection. Yugoslavia can do that because it is a large area and, most of all, because it is one political force. Here, in Central Europe, Slovenia cannot do this, simply because the states around it would not tolerate it. We would be in a fundamentally more disadvantageous situation. Aside from this, it is quite clear that whether or not Yugoslavia survives, we derive great benefits from it as a large economic area. In past debate concerning who has taken advantage of whom, something has been forgotten. When we have a large area, everyone profits from the greater or lesser unity of that area, even the Macedonians. Everyone profits, but most of all those who are the most developed, and that's us! No one has ever added it up, nor is it even possible to do so, but when people here have talked about exploitation, they have talked only about how much we have to give for the south. This is utterly unimportant, because that is a matter requiring agreement. We agree that such and such will be the arrangement, that we will give this and that and nothing more. We can always say that we will provide only one-tenth of that which we have given in the past. Because the fact that we have given so much in the past has not been because someone was forcing us to; rather, our policy and our leaders were forcing us to do so. Our economic, political, and ideological leaders imposed this model on us and all of Yugoslavia. And if someone talks today about how others are taking advantage of us, then they are taking advantage of us because we willingly consented to that type of arrangement.

[Medved] Meaning that Kardelj is to blame?

[Bajt] Who else? My only transgression is that I didn't warn about it. And as far as turmoil is concerned, everything is in turmoil. Even here, everything is in turmoil. But the most important thing is that this turmoil is not the result of, say, the natural character of Serbs, or Muslims, Croats, or anyone else. It is the result of the economic and political arrangement that was imposed on us, as well as on Croats and Serbs. If they have Milosevic today and if turmoil is prevalent, then that is the result of the communist regime that was imposed on this part of the world. It is illogical to say that we are leaving now because this type of turmoil is prevalent. The turmoil must first be eliminated, and only then can normal relations be achieved.

[Medved] Before the plebiscite, there was talk of several scenarios concerning what Slovenia's role in Europe should be. For example, it could become a commercial crossroads for business with countries in the Far East

and South Africa, and the money from those transactions could be kept in Slovene banks. A mediating role would also stimulate foreign investment, etc. Are such expectations realistic?

[Bajt] Listen, I don't think so. These are nice aspirations. I like to dream about such things, but I think that it is unrealistic to expect that we can achieve something like that. After independence we will have so many problems that a systematic policy in the direction of what you have mentioned is very problematic. We import Hyundai cars and think that we will become importers for all of Europe—or look at that business about South Africa—while these are dimensions in which we represent nothing in Europe. Perhaps we mean something in Central Europe geographically speaking, because of our narrow access to the sea, but we have very, very little economic advantage. You know that we face competition from northern ports here, even though ships must pass both Suez and Gibraltar to reach them, and thus take a much longer route, but once again the countries of Western Europe are oriented towards those ports. It's a splendid desire, and I would support efforts in that direction, but look, for example, at how much talk there was about somehow establishing a world trade center. It was said that foreigners are ready to invest money, we looked at plans for developing an entire complex of buildings in Ljubljana, but now all we have to show for it is a few offices in the Smelta building and the outlay.

[Medved] The government has prepared a law on the National Bank of Slovenia, which includes the announcement and introduction of Slovene currency. Is Slovenia ready for such a big change?

[Bajt] I must say that I am not familiar with the details of that work. As far as I know, we are talking about a parallel currency that could be used to settle payments with exporters. In that case, this currency will probably be resold, but I do not believe that it could become permanently established as a parallel currency.

[Medved] Yes, but it is being reported that the Slovene state will guarantee citizens' investments in dinars and foreign exchange. Does this mean that tomorrow we will be able to withdraw 1,000 German marks from the bank, which we cannot do today?

[Bajt] Yes, but neither the National Bank of Slovenia nor any other bank will be able to guarantee the stability of the exchange rate. There are continually ideas here about establishing a fixed exchange rate, as Markovic did with the dinar. We cannot sustain that. As long as the economy is not normalized, we will have to have systematic inflation, because we will not be able to prevent it. And as long as we have inflation, we will have to gradually devalue the currency, be it the Slovene one or the Yugoslav one. It is not even conceivable that a national currency would be stable in the present-day economic situation that exists in Slovenia. It's impossible. One of the reasons for entering into it—although it's nothing new, something that existed before as well—

is to prevent the diversion of money. You know what happened in Serbia, but that did not happen when the newspapers said it did, but rather in December. When our government took action, it was already clear that all the banks in Serbia transfer money into the economy through credits that are not repaid. No interest is paid; instead, the banks are emptied. And they were emptied because the economy had no money, and in order to prevent what has happened in Slovenia on a large scale. You know that the situation last year was incomprehensible. Slovenia, which has the highest level of productivity, had the highest level of insolvency, bankruptcy. There was none of this in Serbia. They systematically prevented it, for political reasons, because they were anticipating their elections; moreover, they knew that Markovic was preparing a reorganization of the banks, and if the bank is full of money you won't get anything from Markovic, you have to empty it, and that is what they did. In December, these options were exhausted, and they had to go further, to the money-issuing system. That was discovered last year. We warned against it. Our Veljko (Bole—Z.M) warned against it, our Joze (Mencinger!) was warned against it, but he had the political support of Markovic. You know, I don't like this business about independence, because I am afraid that perhaps we will indeed become independent politically, but economically we will not be. Only last May, in the series published by our institute, I warned: If the things that have happened in Serbia continue to happen, i.e., the diversion of money from banks into the economy, then we will have no other choice than to introduce a parallel currency in order to protect ourselves.

[Medved] Many people are wondering what the price of Slovene independence will be. Several days ago, the draft republican budget was presented, accounting for 34 percent of the social production of Slovenia. Is that too much or too little, and can these figures be reconciled with what is earmarked for the federal budget?

[Bajt] No, they cannot be reconciled. You say that many people are wondering. I don't believe that. I think that the decision on independence was eminently political and that the people who made the decision on Slovene independence were willing to pay whatever price. Still, I do not contend that this willingness will always be present. Once we have to pay the price—and we will pay it through unfulfilled ambitions, because people always have the ambition of raising their standard of living—it could be a new source of specific instability in the independent Slovenia.

[Medved] It appears that Markovic's program is dead. Is that true? Could Slovenia have a different program under new conditions?

[Bajt] It could in a situation like last year, when prices were calm, inflation was low. At that time, it was necessary to pursue a policy that would maintain such a situation, although I think that we cannot make it without inflation, neither in Slovenia nor in Yugoslavia.

The assessment of Markovic's overall program in December 1989 was a completely different matter. That assessment was negative. You know that prices did not remain steady after 20 December. In all such operations—the most famous of which are the one that Sachs carried out in Bolivia and the German one in 1923—prices stopped rising after only a few days. But here, there was an explosion from 21 December to 31 December; in only 10 days, prices rose 38.5 percent, which corresponds to a monthly rate of 175 percent. In other words, we experienced an extremely high rate of hyperinflation after the shock therapy was performed, and then the level of prices was disproportionally higher than the level that would correspond to a rate of 1:7. By April of last year, prices were 74 percent higher than the level that would correspond to a rate of 1:7. And that means that even then a devaluation should have been carried out, which would have revealed that all that stability was illusory. Pride over the fact that the foreign exchange reserves have grown is frivolous, since it was clear that because of the restrictive monetary policy there was insolvency, and the population and the economy exchanged foreign currency for dinars, which also resulted in a growth in the reserves. But it was also clear that one day they would begin to drop.

[Medved] It has turned out that the dispute between Markovic and Serbia is being conducted as a dispute between so-called economic neoliberalism, whose proponents include Sachs and the IMF, and so-called state interventionism, which is allegedly advocated by Galbraith. Is this accurate?

[Bajt] If we know that the operation executed on 18 December was unsuccessful, then this means that the advice that Sachs gave them was wrong. Not only did he convince Markovic that it was an "infantile," easy operation, disproportionally easier than in, say, Poland; he also assumed that the mechanism of hyperinflation here is similar to how it was in Bolivia or Germany in 1923. In those countries, prices rose to such an extent that merchants looked at how the exchange rate was changing and adjusted their prices accordingly. In Germany, this happened every day for a time, and then even every hour. This was not the case in our country. Throughout 1989, our exchange rate failed to keep abreast with prices. Thus, it was not a factor in the price increases. Inflation in our country depended on taking expected inflation into account in setting prices. Sachs was unacquainted with this mechanism, so that Serbia's criticism is justified, regardless of the incidental labels attached to it. Still, the Serbs overestimate their abilities. I am familiar with the program that they offered. That program had no chance of succeeding whatsoever. They simply thought that the rise in prices can be halted without a depression in the economy. They continually talked about a new investment cycle. That's not possible.

[Medved] All by itself, Slovenia is a small market. Could, say, a confederation between Slovenia and Croatia—which is being discussed more and more since the joint

statement by the two leadership teams at Oticic—compensate for the loss of the Yugoslav market?

[Bajt] If it comes to that, the situation will not get better; rather, we will have to keep it from getting even worse. If we were to draw the border at Kupa and if Slovenia secedes while Croatia does not—and I don't think that Croatia could secede, due to the well-known problems—then tariff protection would be imposed as close as Kupa, and the Croatian market would be lost. However, I think that it is impossible to expect that the Yugoslav market would be lost overnight, and the Croatian market even less so. I do not even believe that it would come to a complete loss of the Serbian market. You know, regardless of the fact that the Serbs are hampering the import of our goods into Serbia in various ways, that import business is still good. If Slovenia suspends cooperation with Crvena Zastava this instant, they will have to shut down their plant immediately. Thus, it is in their interest that things keep going. A market can never be lost completely. Naturally, if we were to secede, there would be an emerging tendency to find new cooperative partners. However, all this is a gradual process. And right now, all that matters is dexterity in the policy reacting to it. If a sensible exchange rate policy is pursued, then the loss of the Yugoslav market can be compensated for by

exporting to other states. Slovene production is small in scale, and if it turns up somewhere on the world market, Slovene goods will always be sold. Still, what I said earlier should not be forgotten. Under these new conditions, the Slovene economy would have to be protected by tariffs.

[Medved] Slovenia is now proposing a settlement for absolving the debt. Is it possible to figure out how much each party should pay or be allowed to take out of Yugoslavia, and if so, what is the time frame?

[Bajt] The formula for splitting the debt is not that simple. It is a political formula through which it must be emphasized that we are not seceding unilaterally, but rather that Slovene independence is a matter of agreement. The reason is simple: It is easier to establish property relations through a settlement. Last year, when this was first being discussed, everyone said that the foreign exchange reserves amount to \$10 billion and that we will get 40 percent of it. Now, those reserves have already fallen to \$6 billion, and tomorrow they could be \$5 billion. Only one thing is certain: If it is a unilateral act, then the damage will be greater. And not only will I not talk about figures, I wouldn't even want to add them up.

## HUNGARY

**Solt Criticizes Social Security Legislation**

91CH0402A Budapest TALLOZO in Hungarian No 5,  
1 Feb 91 p 214

[Interview with Representative Ottilia Solt by Gyorgyi Marton in Nagykanizsa; date not given: "The Social Security Reserve Fund Is Slowly Growing"—first paragraph is TALLOZO introduction]

[Text] Parliament discussed the modification of the 1975 social security law last week. We talked with Representative Ottilia Solt in Nagykanizsa about the newly enacted law.

[Marton] In what way is the new law a step forward?

[Solt] In no way! The possible steps that could have been taken were not taken. Instead, unclear and indecisive promises were made. I do not put much faith in these as they have been "on the table" for two years.

[Marton] What would be the steps that you think should be taken?

[Solt] The most important thing would be to begin by separating the various branches of social security, above all to take health care out of that big hat. This would make it possible to overview the entire financing system of health care. There is no apparatus for analyzing the health care costs for working out financial—not to mention professional—concepts....

[Marton] During the parliamentary debate, it seemed that the issue of social security was dominated by comments related to health.

[Solt] Yes. In part because we wanted to make the health fund separate and independent, and in part because public health is in a catastrophic situation. Even though its costs are not small, multiple amounts of money would be insufficient for good health services within such an organizational system that is very bad, extremely wasteful, and difficult to control. The other reason we considered the immediate separation of the health fund very important is to somewhat streamline this extremely heavy burden of contribution (presently paid by both employers and employees). Let the contributors see what they will get for a specified amount of money. It is nonsense that the present social security contributions must be used for the pension system whose earlier funds have been eaten up by the state. It is difficult to imagine how the increases resulting from inflation, with a much higher number of retirees than the current pension contributions are meant to cover, could be covered exclusively through the contributions. Part of this must be paid from the national budget.

[Marton] Is that the case?

[Solt] No matter what, it will have to be. When retirement insurance, with its own proprietary organization and,

consequently, its own legitimate representation, will exist (none exists now), it will be a serious partner of the budget. Judit Csehak was still minister when the financing of health institutions from the social security fund was worked out, which means that public health care, which is a citizen's right, is financed through retirement and social security contributions. The fund is also used for the health care of those who make no contributions: retired persons, children, and the unemployed. It is an untenable situation that the active workers are the only ones paying for the entire country's health care.

[Marton] How do you view the future of social security?

[Solt] Some kind of a proprietary organization is needed! An institution which is easy to supervise, which makes decisions about the money, and which guarantees certain services. Some conceive this to be a kind of board of directors, others think it should be an autonomous organization. There has been procrastination concerning this decision for two years. There was a parliamentary resolution but it was not implemented. Now the new law also says that an autonomous organization must be set up, but I think that it makes no sense to put an autonomous organization in control of social security that is already overburdened with health care. The two must first be separated and then their proprietorship and operation must be determined separately.

[Marton] On the other hand, a consensus was reached in the case of pensions, was it not?

[Solt] Yes. But I do not know whether it has a sound financial basis. At the establishment of the social security fund, the plan was to fill its reserves within five years, i.e., a certain amount of money must be put aside every year so that the reserve reaches a level at which it can function mathematically as a kind of insurance. I believe the 45-billion [currency not specified] increase was a neck-breaking stunt, because available money is very tight. I think that it will not be the end of the world even if we must dip into the reserve. Settling the retirees' income is such a fundamental need that it also makes it necessary to slow down the pace of building up reserves. But no one spoke of this; what was mentioned was only that in that case social security must borrow money.

[Solt] In your opinion, is the present regulation of retirement pensions adequate?

[Solt] It cannot be adequate! But it is much better than the earlier one.

[Marton] As an insider, what do you think of parliament's work?

[Solt] I do not know how a good parliament works. I have the impression about ours that the government coalition, and of course, the government, continues to consider, at an ever-increasing degree, the opposition as an enemy that must be annihilated. There is no word of any kind of cooperation. The modification of both the budget and the social security law took place in such an atmosphere. It is not the plenary sessions but the committee work that is tiring in parliament. I have become exhausted in that work now. Do not misunderstand me, I do not regret the work that I have invested, because I am confident that it will have its return somehow.

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